

MGIC INVESTMENT CORP
Form DEF 14A
March 25, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to §240.14a-12

MGIC INVESTMENT CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- ☒ No fee required.
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3) Filing Party:

4) Date Filed:

MGIC
Investment
Corporation
Notice
of 2013
Annual
Meeting
and
Proxy
Statement

MGIC Investment Corporation

March 25, 2013

Dear Shareholder:

It is my pleasure to invite you to attend our Annual Meeting of Shareholders to be held on Thursday, April 25, 2013, in the Bradley Pavilion of the Marcus Center for the Performing Arts in Milwaukee, Wisconsin.

At our meeting this year, we will ask shareholders to:

- elect eight directors,
- approve our Amended and Restated Rights Agreement,
- conduct an advisory vote to approve our executive compensation, and
- ratify for 2013 the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

We will also report on our business.

Your vote is important. Even if you plan to attend the meeting, we encourage you to vote as soon as possible. You may vote by telephone, over the Internet or by mail. Please read our proxy statement for more information about our meeting and the voting process.

Our Annual Report to Shareholders, which follows the proxy statement in this booklet, is a separate report and is not part of this proxy statement.

Sincerely,

2012
Annual
Report
to
Shareholders

Curt S. Culver
Chairman and
Chief Executive Officer

IMPORTANT VOTING INFORMATION

If you hold your shares in “street name,” meaning your shares are held in a stock brokerage account or by a bank or other nominee, you will have received a voting instruction form from that nominee containing instructions that you must follow in order for your shares to be voted. If you do not transmit your voting instructions before the Annual Meeting, your nominee can vote on your behalf on only the matter considered to be routine, which is the ratification of the appointment of our independent registered public accounting firm.

The following matters are NOT considered routine: election of directors, approval of our Amended and Restated Rights Agreement, and the advisory vote to approve our executive compensation. Your nominee is not permitted to vote on your behalf on such matters unless you provide specific instructions by following the instructions from your nominee about voting your shares and by completing and returning the voting instruction form. For your vote to be counted on such matters, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the Annual Meeting.

Your Participation in Voting the Shares You Own is Important

Voting your shares is important to ensure that you have a say in the governance of your company and to fulfill the objectives of the majority voting standard that we apply in the election of directors. Please review the proxy materials and follow the relevant instructions to vote your shares. We hope you will exercise your rights and fully participate as a shareholder in the future of MGIC Investment Corporation.

More Information is Available

If you have any questions about the proxy voting process, please contact the bank, broker or other nominee through which you hold your shares. The Securities and Exchange Commission (“SEC”) also has a website (www.sec.gov/spotlight/proxymatters.shtml) with more information about voting at annual meetings. Additionally, you may contact our Investor Relations personnel at (414) 347-6480.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2013

Our proxy statement and 2012 Annual Report to Shareholders are available at <http://mtg.mgic.com/proxyinfo>. Your vote is very important. Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You may vote your shares via a toll-free telephone number, over the Internet, or by completing, signing, dating and returning your proxy card or voting instruction form in the pre-addressed envelope provided. No postage is required if your proxy card or voting instruction form is mailed in the United States. If you attend the meeting, you may vote in person, even if you have previously voted by telephone, over the Internet or by mailing your proxy card. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

MGIC INVESTMENT CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 25, 2013

To Our Shareholders:

The Annual Meeting of Shareholders of MGIC Investment Corporation will be held in the Bradley Pavilion of the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, on April 25, 2013, at 9:00 a.m., to vote on the following matters:

- (1) Election of the eight directors named in the proxy statement, each for a one-year term;
- (2) Approval of our Amended and Restated Rights Agreement;
- (3) An advisory vote to approve our executive compensation;
- (4) Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013; and
- (5) Any other matters that properly come before the meeting.

Only shareholders of record at the close of business March 1, 2013, will be entitled to vote at the Annual Meeting and any postponement or adjournment of the meeting.

By Order of the Board of Directors

Jeffrey H. Lane, Secretary
March 25, 2013

YOUR VOTE IS IMPORTANT

PLEASE PROMPTLY VOTE VIA TOLL-FREE TELEPHONE NUMBER, OVER THE INTERNET OR BY
COMPLETING, SIGNING, DATING AND RETURNING YOUR PROXY CARD OR VOTING INSTRUCTION
FORM

MGIC INVESTMENT CORPORATION
PROXY STATEMENT
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MGIC Investment Corporation
P.O. Box 488
MGIC Plaza, 250 East Kilbourn Avenue
Milwaukee, WI 53201

Proxy Statement

Our Board of Directors is soliciting proxies for the Annual Meeting of Shareholders to be held at 9:00 a.m., Thursday, April 25, 2013, in the Bradley Pavilion of the Marcus Center for the Performing Arts, 929 North Water Street, Milwaukee, Wisconsin, and at any postponement or adjournment of the meeting. In this proxy statement we sometimes refer to MGIC Investment Corporation as “the Company,” “we” or “us.” This proxy statement and the enclosed form of proxy are being mailed to shareholders beginning on March 25, 2013. Our Annual Report to Shareholders for the year ended December 31, 2012, which follows the proxy statement in this booklet, is a separate report and is not part of this proxy statement. If you have any questions about attending our Annual Meeting, you can call our Investor Relations personnel at (414) 347-6480.

ABOUT THE MEETING AND PROXY MATERIALS

What is the purpose of the Annual Meeting?

At our Annual Meeting, shareholders will act on the matters outlined in our notice of meeting preceding the Table of Contents, including the election of the eight directors named in the proxy statement, approval of our Amended and Restated Rights Agreement, an advisory vote to approve our executive compensation and ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013. In addition, management will report on our performance during the last year and, after the meeting, respond to questions from shareholders.

Who is entitled to vote at the meeting?

Only shareholders of record at the close of business March 1, 2013, the record date for the meeting, are entitled to receive notice of and to participate in the Annual Meeting. For each share of Common Stock that you held on that date, you are entitled to one vote on each matter considered at the meeting. On the record date, 202,303,017 shares of Common Stock were outstanding and entitled to vote.

What is a proxy?

A proxy is another person you legally designate to vote your shares. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card.

How do I vote my shares?

If you are a shareholder of record, meaning your shares are registered directly in your name with Wells Fargo Bank Minnesota, N.A., our stock transfer agent, you may vote your shares in one of three ways:

- By Telephone — Shareholders of record who live in the United States or Canada may submit proxies by telephone by calling 1-800-560-1965 and following the instructions. Shareholders of record must have the control number that appears on their proxy card available when voting.
- By Internet — Shareholders may submit proxies over the Internet by following the instructions on the proxy card.

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- By Mail — Shareholders may submit proxies by completing, signing and dating their proxy card and mailing it in the accompanying pre-addressed envelope.

If you attend the meeting, you may withdraw your proxy and vote your shares in person.

If you hold your shares in “street name,” meaning your shares are held in a stock brokerage account or by a bank or other nominee, your broker or nominee has enclosed or provided a voting instruction form for you to use to direct the broker or nominee how to vote your shares. Certain of these institutions offer telephone and Internet voting.

If you hold shares as a participant in our Profit Sharing and Savings Plan, you may instruct the plan trustee how to vote those shares in any one of three ways:

- By Telephone — If you live in the United States or Canada, you may submit a proxy by telephone by calling 1-800-560-1965 and following the instructions. You must have the control number that appears on your proxy card available when voting.
- By Internet — You may submit a proxy over the Internet by following the instructions on the proxy card.
- By Mail — You may submit a proxy by completing, signing and dating your proxy card and mailing it in the accompanying pre-addressed envelope.

The plan trustee will vote shares held in your account in accordance with your instructions and the plan terms. The plan trustee may vote the shares for you if your instructions are not received at least five days before the Annual Meeting date.

Please contact our Investor Relations personnel at (414) 347-6480 if you would like directions on attending the Annual Meeting and voting in person. At our meeting, you will be asked to show some form of identification (such as your driving license).

Can I change my vote after I return my proxy card?

Yes. If you are a shareholder of record, you can revoke your proxy at any time before your shares are voted by advising our corporate Secretary in writing, by granting a new proxy with a later date, or by voting in person at the meeting. If your shares are held in street name by a broker, bank or nominee, or in our Profit Sharing and Savings Plan, you must follow the instructions of the broker, bank, nominee or plan trustee on how to change your vote.

How are the votes counted?

A quorum is necessary to hold the meeting and will exist if a majority of the 202,303,017 shares of Common Stock outstanding on the record date are represented, in person or by proxy, at the meeting. Votes cast by proxy or in person at the meeting will be counted by Wells Fargo Bank Minnesota, N.A., which has been appointed by our Board to act as inspector of election for the meeting.

Shares represented by proxy cards marked “Abstain” for any matter will be counted to determine the presence of a quorum, but will not be counted as votes for or against that matter. “Broker non-votes,” which occur when a broker or other nominee does not vote on a particular matter because the broker or other nominee does not have authority to vote without instructions from the beneficial owner of the shares and has not received such instructions, will be counted for quorum purposes but will not be counted as votes for or against any matter. Brokers and other nominees have discretionary authority to vote shares without instructions from the beneficial owner of the shares only for

matters considered routine. For the 2013 Annual Meeting, nominees will only have discretionary authority to vote shares on the ratification of the appointment of the independent registered public accounting firm without instructions from the beneficial owner.

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What are the Board's recommendations?

Our Board of Directors recommends a vote FOR all of the nominees for director (Item 1), FOR approval of our Amended and Restated Rights Agreement (Item 2), FOR approval of our executive compensation (Item 3), and FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013 (Item 4).

If you sign and return a proxy card or voting instruction form without specifying how you want your shares voted, the named proxies will vote your shares in accordance with the recommendations of the Board for all Items and in their best judgment on any other matters that properly come before the meeting.

Will any other items be acted upon at the Annual Meeting?

The Board does not know of any other business to be presented at the Annual Meeting. No shareholder proposals will be presented at this year's Annual Meeting.

What are the deadlines for submission of shareholder proposals for the next Annual Meeting?

Shareholders may submit proposals on matters appropriate for shareholder action at future Annual Meetings by following the SEC's rules. Proposals intended for inclusion in next year's proxy materials must be received by our Secretary no later than November 25, 2013.

Under our Amended and Restated Bylaws ("Bylaws"), a shareholder who wants to bring business before the Annual Meeting that has not been included in the proxy materials for the meeting, or who wants to nominate directors at the meeting, must be eligible to vote at the meeting and give written notice of the proposal to our corporate Secretary in accordance with the procedures contained in our Bylaws. Our Bylaws require that shareholders give notice to our Secretary at least 45 and not more than 70 days before the first anniversary of the date set forth in our proxy statement for the prior Annual Meeting as the date on which we first mailed such proxy materials to shareholders. For the 2014 Annual Meeting, the notice must be received by the Secretary no later than February 8, 2014, and no earlier than January 14, 2014. For director nominations, the notice must comply with our Bylaws and provide the information required to be included in the proxy statement for individuals nominated by our Board. For any other proposals, the notice must describe the proposal and why it should be approved, identify any material interest of the shareholder in the matter, and include other information required by our Bylaws.

Who pays to prepare, mail and solicit the proxies?

We will pay the cost of soliciting proxies. In addition to soliciting proxies by mail, our employees may solicit proxies by telephone, email, facsimile or personal interview. We have also engaged D.F. King & Co., Inc. to provide proxy solicitation services for a fee of \$13,000, plus expenses such as charges by brokers, banks and other nominees to forward proxy materials to the beneficial owners of our Common Stock.

STOCK OWNERSHIP

The following table identifies the beneficial owners of more than 5% of our Common Stock as of December 31, 2012, based on information filed with the SEC, unless more recent information filed with the SEC is available. The table also shows the amount of our Common Stock beneficially owned by our named executive officers and all directors and executive officers as a group. Unless otherwise noted, the parties listed in the table have sole voting and investment power over their shares, and information regarding our directors and executive officers is given as of close of business March 12, 2013. Information about the Common Stock that our directors beneficially own appears below

in connection with their biographies. See “Item 1— Election of Directors.”

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Name	Shares Beneficially Owned	Percent of Class	
Old Republic International Corporation(1) 307 North Michigan Avenue Chicago, IL 60601	13,529,537	6.7	%
Dimensional Fund Advisors LP(2) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	12,435,111	6.2	%
The Vanguard Group, Inc.(3) 100 Vanguard Boulevard Malvern, PA 19355	10,601,724	5.2	%
BlackRock, Inc.(4) 40 East 52nd Street New York, NY 10022	10,420,867	5.2	%
Curt S. Culver(5)	1,156,583	*	
J. Michael Lauer(5)	704,307	*	
Patrick Sinks(5)	536,168	*	
Jeffrey H. Lane(5)	393,139	*	
Lawrence J. Pierzchalski(5)	288,636	*	
All directors and executive officers as a group (16 persons)(5)(6)	3,567,160	1.1	%

*

Less than 1%

(1) Old Republic International Corporation, which reported ownership as of January 29, 2013, on behalf of itself and several of its wholly owned subsidiaries, reported that it had shared voting and investment power for all of the shares.

(2) Dimensional Fund Advisors LP reported ownership as of December 31, 2012, on behalf of investment companies, commingled group trusts and separate accounts for which it or one of its subsidiaries provides investment advice. It reported that it had sole power to dispose or direct the disposal of 12,435,111 shares and the sole power to vote or direct the vote of 12,308,074 shares.

(3) The Vanguard Group, Inc. reported ownership as of December 31, 2012, on behalf of itself and certain subsidiaries. It reported that it had sole dispositive power over 10,335,855 shares and shared dispositive power for 265,869 shares. It further reported that it had sole voting power for 271,953 shares and shared voting power for no shares.

(4) BlackRock, Inc. reported ownership as of December 31, 2012, on behalf of itself and several subsidiaries.

(5) Includes shares that could be purchased on the record date or within 60 days thereafter by exercise of stock options granted to the executive officers: Mr. Culver — 80,000; Mr. Lauer — 27,000; Mr. Sinks — 40,000; Mr. Lane — 27,000; Mr. Pierzchalski — 27,000; and all executive officers as a group — 201,000. Also includes shares held in our Profit Sharing and Savings Plan by the executive officers: Mr. Culver — 12,696; Mr. Lauer — 53,275; Mr. Sinks — 11,733; and all executive officers as a group — 77,704. Excludes shares underlying restricted stock units (“RSUs”) that cannot be settled in Common Stock within 60 days of the record date: Mr. Culver — 768,318; Mr. Lauer — 253,084; Mr. Sinks — 466,450; Mr. Lane — 253,084; Mr. Pierzchalski — 253,084; and all executive officers as a group — 2,091,354. Also includes shares for which voting and investment power are shared as follows: Mr. Lauer — 612,512, and all directors and executive officers as a group — 629,961.

(6) Includes an aggregate of 85,763 shares underlying RSUs held by our non-management directors, which could be settled in shares of Common Stock within 60 days of the record date. Also includes an aggregate of 14,733 restricted shares held by our non-management directors. The beneficial owners have sole voting power but no investment power over the restricted shares. Excludes an aggregate of 586,792 share units held by our non-management directors that cannot be settled in shares of Common Stock.

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ITEM 1 – ELECTION OF DIRECTORS

Our Board of Directors was previously divided into three classes, with directors in each class serving for a term of three years and one class of directors elected at each Annual Meeting. We are currently transitioning to a declassified Board and that transition will be completed at the 2013 Annual Meeting, when the remaining term of all directors will be one year.

Item 1 consists of the election of directors at this Annual Meeting. The Board, upon the recommendation of the Management Development, Nominating and Governance Committee (with Messrs. Hagerty and Muma abstaining on their own nominations), has nominated James A. Abbott, Curt S. Culver, Thomas M. Hagerty, Timothy A. Holt, Michael E. Lehman, William A. McIntosh, Leslie M. Muma and Mark M. Zandi for re-election to the Board to serve, for one year, until our 2014 Annual Meeting of Shareholders. If any nominee is not available for election, proxies will be voted for another person nominated by the Board or the size of the Board will be reduced.

Shareholder Vote Required

Our Articles of Incorporation contain a majority vote standard for the election of directors in uncontested elections. Under this standard, each of the eight nominees (Messrs. Abbott, Culver, Hagerty, Holt, Lehman, McIntosh, Muma and Zandi) must receive a “majority vote” at the meeting to be elected a director. A “majority vote” means that when there is a quorum present, more than 50% of the votes cast in the election of the director are cast “for” the director, with votes cast being equal to the total of the votes “for” the election of the director plus the votes “withheld” from the election of the director. Therefore, under our Articles of Incorporation, a “withheld” vote is effectively a vote “against” a nominee. Broker non-votes will be disregarded in the calculation of a “majority vote.” Any incumbent director who does not receive a majority vote (but whose term as a director nevertheless would continue under Wisconsin law until his successor is elected) is required to send our Board a resignation. The effectiveness of any such resignation is contingent upon Board acceptance. The Board will accept or reject a resignation in its discretion after receiving a recommendation made by our Management Development, Nominating and Governance Committee and will promptly publicly disclose its decision regarding the director’s resignation (including the reason(s) for rejecting the resignation, if applicable).

Information About Our Directors

The Board believes that the Board, as a whole, should possess a combination of skills, professional experience, and diversity of backgrounds necessary to oversee our business. In addition, the Board believes that there are certain attributes that every director should possess, as reflected in the Board’s membership criteria. Accordingly, the Board and the Management Development, Nominating and Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board’s overall composition and our current and future needs.

The Management Development, Nominating and Governance Committee is responsible for developing Board membership criteria and recommending these criteria to the Board. The criteria, which are set forth in our Corporate Governance Guidelines, include an inquiring and independent mind, sound and considered judgment, high standards of ethical conduct and integrity, well-respected experience at senior levels of business, academia, government or other fields, ability to commit sufficient time and attention to Board activities, anticipated tenure on the Board, and whether an individual will enable the Board to continue to have a substantial majority of independent directors.

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In addition, the Management Development, Nominating and Governance Committee in conjunction with the Board periodically evaluates the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the skills and experience that the Board will find valuable in the future, given our prospective retirements due to the Board's policy that a director may not stand for election if he is age 74 or more. The Management Development, Nominating and Governance Committee seeks a variety of occupational and personal backgrounds on the Board in order to obtain a range of viewpoints and perspectives and enable the Board to have access to a diverse body of talent and expertise relevant to our activities. The Committee's and the Board's evaluation of the Board's composition enables the Board to consider the skills and experience it seeks in the Board as a whole, and in individual directors, as our needs evolve and change over time and to assess the effectiveness of the Board's efforts at pursuing diversity. In identifying director candidates from time to time, the Management Development, Nominating and Governance Committee may establish specific skills and experience that it believes we should seek in order to constitute a balanced and effective board.

In evaluating incumbent directors for renomination to the Board, as well as the skills and experience that other directors bring to the Board, the Management Development, Nominating and Governance Committee has considered a variety of factors. These include each director's independence, financial literacy, personal and professional accomplishments, tenure on the Board, experience in light of our needs, and past performance on the Board based on feedback from other Board members.

Information about our directors appears below. The biographical information is as of February 1, 2013 and, for each director, includes a discussion about the skills and qualifications that the Board has determined support the director's continued service on the Board.

NOMINEES FOR DIRECTOR –
For One-Year Term Ending 2014

Shares
Beneficially
Owned(1)

James A. Abbott, 73, a Director since 1989, has been Chairman and a principal of American Security Mortgage Corp., a mortgage banking firm, since June 1999. He served as President and Chief Executive Officer of First Union Mortgage Corporation, a mortgage banking company licensed in all 50 states and nationally ranked in the top 10 in origination and loan servicing during his tenure, from January 1980 to December 1994. Mr. Abbott brings to the Board more than 40 years of experience in the mortgage banking industry, gained through his service as chairman and as chief executive officer of two mortgage banking companies, and in banking as a member of the corporate management committee of a major bank holding company for 15 years.

74,342
(2)(3)

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Shares
Beneficially
Owned(1)

Curt S. Culver, 60, a Director since 1999, has been our Chairman of the Board since January 2005 and our Chief Executive Officer since January 2000. He served as our President from January 1999 to January 2006. Mr. Culver has been Chief Executive Officer of Mortgage Guaranty Insurance Corporation (“MGIC”) since January 1999 and held senior executive positions with MGIC for more than five years before then. He is also a director of Wisconsin Electric Power Company and Wisconsin Energy Corporation. Mr. Culver brings to the Board extensive knowledge of our business and operations, a long-term perspective on our strategy and the ability to lead the Company and the Board as the Company faces ongoing challenges.

1,156,583
(4)

Thomas M. Hagerty, 50, a Director since 2001, has been a managing director with Thomas H. Lee Partners, L.P. and its predecessor Thomas H. Lee Company (“THL”), a private investment firm, since 1992 and has been with the firm since 1988. Mr. Hagerty previously was in the Mergers and Acquisitions Department of Morgan Stanley & Co. Incorporated. He is also a director of Ceridian Corporation, Fidelity National Financial, Inc., Fidelity National Information Services, Inc., First BanCorp. and MoneyGram International, Inc. Mr. Hagerty brings to the Board experience in and knowledge of the financial services and investment industries, expertise in analyzing and monitoring substantial investment positions gained through his work in private equity, expertise in evaluating companies’ strategies, operations and risks gained through his work in investment banking, and corporate governance experience acquired through his service on numerous public company boards.

83,759 (3)

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Shares
Beneficially
Owned(1)

Timothy A. Holt, 60, a Director since 2012, was an executive committee member and Senior Vice President and Chief Investment Officer of Aetna, Inc., a diversified health care benefits company, when he retired in 2008 after 30 years of service. From 2004 through 2007, he also served as Chief Enterprise Risk Officer of Aetna. Prior to being named Chief Investment Officer in 1997, Mr. Holt held various senior management positions with Aetna, including Chief Financial Officer of Aetna Retirement Services and Vice President, Finance and Treasurer of Aetna. Mr. Holt served as a consultant to Aetna during 2008 and 2009 and currently provides investment consulting services to other insurance companies. Since 2008, Mr. Holt has served as a Director of Virtus Investment Partners, Inc. Mr. Holt has been designated as a Chartered Financial Analyst from the CFA Institute, a global association of investment professionals. Mr. Holt brings to the Board investment expertise, skill in assessing and managing investment and credit risk, broad-based experience in a number of areas relevant to our business, including insurance, and senior executive experience gained at a major public insurance company.

36,364 (3)

Michael E. Lehman, 62, a Director since 2001, has been the Chief Financial Officer at Arista Networks, a cloud networking firm, since September 2012. He was previously the Chief Financial Officer of Palo Alto Networks, a privately-held network security firm, from April 2010 until February 2012. Prior to that, he was the Executive Vice President and Chief Financial Officer of Sun Microsystems, Inc., a provider of computer systems and professional support services, from February 2006 to January 2010, when Sun Microsystems, Inc. was acquired by Oracle Corporation. From July 2000 until his initial retirement in September 2002, he was Executive Vice President of Sun Microsystems; he was its Chief Financial Officer from February 1994 to July 2002, and held senior executive positions with Sun Microsystems for more than five years before then. Mr. Lehman brings to the Board financial and accounting knowledge gained through his service as chief financial officer of a large, multinational public company, skills in addressing the range of financial issues facing a large company with complex operations, senior executive and operational experience, and leadership skills.

48,234 (3)

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Shares
Beneficially
Owned(1)

William A. McIntosh, 73, a Director since 1996, was an executive committee member and a managing director at Salomon Brothers Inc, an investment banking firm, when he retired in 1995 after 35 years of service. In addition, during the past five years, Mr. McIntosh served as a director of Northwestern Mutual Series Fund Inc. (27 funds) (through 2009). Mr. McIntosh brings to the Board extensive experience in the financial services industry gained from his long tenure at Salomon Brothers and his service on several mutual fund boards, expertise in evaluating companies' strategies, operations and risks acquired through his work as an investment banker, and financial and accounting expertise.

92,937
(2)(3)

Leslie M. Muma, 68, a Director since 1995, is retired and was Chief Executive Officer of Fiserv, Inc., a financial industry automation products and services firm, from 1999 until December 2005. He was also a director of Fiserv, Inc. through 2005. Before serving as Fiserv's Chief Executive Officer, he was its President for many years. Mr. Muma brings to the Board experience in the financial services industry acquired through a career serving as a chief executive officer and president at a financial industry automation products and services firm, as well as management and operations experience, and leadership skills.

216,211
(2)(3)(5)

Mark M. Zandi, 53, a Director since 2010, is Chief Economist of Moody's Analytics, Inc., where he directs economic research. Moody's Analytics is a leading provider of economic research, data and analytical tools. It is a subsidiary of Moody's Corporation that is separately managed from Moody's Investor Services, the rating agency subsidiary of Moody's Corporation. Dr. Zandi is a trusted adviser to policymakers and an influential source of economic analysis for businesses, journalists and the public and he frequently testifies before Congress on economic matters. Dr. Zandi, with his economics and residential real estate industry expertise, brings to the Board a deep understanding of the economic factors that shape our industry. In addition, Dr. Zandi has expertise in the legislative and regulatory processes relevant to our business.

36,364 (3)

Table of ContentsDIRECTORS CONTINUING IN OFFICE –
Term Ending 2014Shares
Beneficially
Owned(1)

Kenneth M. Jastrow, II, 65, a Director since 1994, has, since December 2007, been the non-executive Chairman of the Board of Forestar Group Inc. (“Forestar”), which is engaged in various real estate and natural resource businesses. From January 2000 until December 2007, Mr. Jastrow served as Chairman and Chief Executive Officer of Temple-Inland Inc. (“TI”), a paper and forest products company which during Mr. Jastrow’s tenure also had interests in real estate and financial services. Mr. Jastrow currently serves as our Lead Director. He is also a director of KB Home and Genesis Energy, LLC, the general partner of Genesis Energy, LP, a publicly-traded master limited partnership. In addition, during the past five years, Mr. Jastrow served as a director of Guaranty Financial Group and its subsidiary Guaranty Bank (from December 2007 through August 2008). Mr. Jastrow brings to the Board senior executive and leadership experience gained through his service as chairman and chief executive officer at a public company with diversified business operations in sectors relevant to our operations, experience in the real estate, mortgage banking and financial services industries, and knowledge of corporate governance matters gained through his service as a non-executive chairman and on public company boards.

99,198
(2)(3)

Daniel P. Kearney, 73, a Director since 1999, has been a business consultant and private investor for more than five years. Mr. Kearney served as Executive Vice President and Chief Investment Officer of Aetna, Inc., then a provider of health and retirement benefit plans and financial services, from 1991 to 1998. He was President and Chief Executive Officer of the Resolution Trust Corporation Oversight Board from 1990 to 1991, a principal of Aldrich, Eastman & Waltch, Inc., a pension fund advisor, from 1988 to 1989, and a managing director at Salomon Brothers Inc, an investment banking firm, from 1977 to 1988. He is non-executive Chairman of the Board of MBIA, Inc. and a director of Fiserv, Inc. Mr. Kearney brings to the Board investment expertise, skill in assessing and managing investment and credit risk, broad-based experience in a number of areas relevant to our business, including insurance and financial services, and senior executive experience gained at a major public insurance company.

213,091 (3)

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Shares
Beneficially
Owned(1)

Donald T. Nicolaisen, 68, a Director since 2006, was the Chief Accountant of the United States Securities and Exchange Commission from September 2003 to November 2005, when he retired from full time employment. Prior to joining the SEC, he was a Senior Partner at PricewaterhouseCoopers LLP, an accounting firm that he joined in 1967. He is also a director of Verizon Communications Inc., Morgan Stanley and Zurich Insurance Group. Mr. Nicolaisen brings to the Board financial and accounting expertise acquired from his 36 years of service with a major public accounting firm and his tenure as Chief Accountant at the SEC, as well as an understanding of the range of issues facing large financial services companies gained through his service on the boards of public companies operating in the insurance and financial services industries.

157,170 (3)

(1)Ownership information is as of March 12, 2013. Unless otherwise noted, all directors have sole voting and investment power with respect to the shares. Common Stock beneficially owned by each director represents less than 1% of the total number of shares outstanding.

(2)Includes 2,000 shares held under our 1993 Restricted Stock Plan for Non-Employee Directors. The directors have sole voting power and no investment power over these shares.

(3)Includes shares underlying RSUs as follows: Mr. Abbott — 3,050; Mr. Hagerty — 3,050; Mr. Jastrow — 3,050; Mr. Kearney — 3,050; Mr. Lehman — 3,050; Mr. McIntosh — 3,050; Mr. Muma — 3,050; and Mr. Nicolaisen — 1,700. S units were issued pursuant to our RSU award program (See “Compensation of Directors — Former RSU Award Program”) and could be settled in shares of Common Stock within 60 days of the record date.

Also includes the following RSUs, which are held under the Deposit Share Program for Non-Employee Directors under our 2002 Stock Incentive Plan (See “Compensation of Directors — Former Deposit Share Program”) and could be settled in shares of Common Stock within 60 days of the record date: Mr. Abbott — 1,491; Mr. Hagerty — 17,105; Mr. Jastrow — 19,769; Mr. Kearney — 5,733; Mr. Muma — 4,098; and Mr. Nicolaisen — 14,517. Directors have neither voting nor investment power over the shares underlying any of these units.

Includes 6,733 shares that Mr. Jastrow held under the Deposit Share Program for Non-Employee Directors under our 1991 Stock Incentive Plan and 2002 Stock Incentive Plan. Mr. Jastrow has sole voting power and no investment power over these shares.

Also includes cash-settled share units held under our Deferred Compensation Plan (See “Compensation of Directors — Deferred Compensation Plan and Annual Grant of Share Units”) over which the directors have neither voting nor investment power, as follows: Mr. Abbott — 36,364; Mr. Hagerty — 55,423; Mr. Holt — 36,364; Mr. Jastrow — 66,500; Mr. Kearney — 126,825; Mr. Lehman — 37,745; Mr. McIntosh — 36,364; Mr. Muma — 64,072; Mr. Nicolaisen — 90,771; and Mr. Zandi — 36,364. Under the SEC’s rules, these share units would not be considered beneficial ownership of the shares to which they relate, however, we include them because they represent economic exposure to our Common Stock.

(4)Includes 80,000 shares which Mr. Culver had the vested right to acquire as of March 1, 2013 under options granted to Mr. Culver and 12,696 shares held in our Profit Sharing and Savings Plan. Excludes 768,318 shares underlying

RSUs awarded under our 2002 Stock Incentive Plan and 2011 Omnibus Incentive Plan over which he has neither voting nor investment power.

(5)Includes 9,132 shares owned by a trust of which Mr. Muma is a trustee and a beneficiary and as to which Mr. Muma disclaims beneficial ownership except to the extent of his interest in the trust.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE EIGHT NOMINEES. SIGNED PROXY CARDS AND VOTING INSTRUCTION FORMS WILL BE VOTED FOR THE NOMINEES UNLESS A SHAREHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD OR VOTING INSTRUCTION FORM.

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CORPORATE GOVERNANCE AND BOARD MATTERS

The Board of Directors oversees the management of the Company and our business. The Board selects our CEO and in conjunction with our CEO selects the rest of our senior management team, which is responsible for operating our business.

Corporate Governance Guidelines and Code of Business Conduct

The Board has adopted Corporate Governance Guidelines, which set forth a framework for our governance. The Guidelines cover the Board's composition, leadership, meeting process, director independence, Board membership criteria, committee structure and functions, succession planning and director compensation. Among other things, the Board meets in executive session outside the presence of any member of our management after each Board meeting at which directors are present in person and at any additional times determined by the Board or the Lead Director. Mr. Jastrow has, for several years, presided at these sessions and has served as the Board's Lead Director since the position was created in October 2009. See "Board Leadership" for information about the Lead Director's responsibilities and authority. The Corporate Governance Guidelines provide that a director shall not be nominated by the Board for re-election if at the date of the Annual Meeting of Shareholders, the director is age 74 or more. The Corporate Governance Guidelines also provide that a director who retires from his principal employment or joins a new employer shall offer to resign from the Board and a director who is an officer of MGIC and leaves MGIC must resign from the Board.

We have a Code of Business Conduct emphasizing our commitment to conducting our business in accordance with legal requirements and high ethical standards. The Code applies to all employees, including our executive officers, and specified portions are applicable to our directors. Certain portions of the Code that apply to transactions with our executive officers, directors, and their immediate family members are described under "Other Matters – Related Person Transactions" below. These descriptions are subject to the actual terms of the Code.

Our Corporate Governance Guidelines and our Code of Business Conduct are available on our website (<http://mtg.mgic.com>) under the "Investor Information; Corporate Governance" links. Written copies of these documents are available to any shareholder who submits a written request to our Secretary. We intend to disclose on our website any waivers from, or amendments to, our Code of Business Conduct that are subject to disclosure under applicable rules and regulations.

Director Independence

Our Corporate Governance Guidelines regarding director independence provide that a director is not independent if the director has any specified disqualifying relationship with us. The disqualifying relationships are equivalent to those of the independence rules of the New York Stock Exchange, except that our disqualification for board interlocks is more stringent than under the NYSE rules. Also, for a director to be independent under the Guidelines, the director may not have any material relationship with us. For purposes of determining whether a disqualifying or material relationship exists, we consider relationships with MGIC Investment Corporation and its consolidated subsidiaries.

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The Board has determined that all of our current directors except for Mr. Culver, our CEO, are independent under the Guidelines and the NYSE rules. In addition, each of the Audit, Management Development, Nominating and Governance, Risk Management and Securities Investment Committees consists entirely of independent directors. All members of the Audit Committee meet additional, heightened independence criteria applicable to audit committee members under SEC and NYSE rules and the independence standards adopted by the Board. The Board made its independence determinations by considering whether any disqualifying relationships existed during the periods specified under the Guidelines and the NYSE rules. To determine that there were no material relationships, the Board applied categorical standards that it had adopted. All independent directors met these standards. Under these standards, a director is not independent if payments under transactions between us and a company of which the director is an executive officer or 10% or greater owner exceeded the greater of \$1 million or 1% of the other company's gross revenues. Payments made to and payments made by us are considered separately, and this quantitative threshold is applied to transactions that occurred in the three most recent fiscal years of the other company. Also under these standards, a director is not independent if during our last three fiscal years the director:

- was an executive officer of a charity to which we made contributions, or
- was an executive officer or member of a law firm or investment banking firm providing services to us, or
- received any direct compensation from us other than as a director, or if during such period a member of the director's immediate family received compensation from us.

In making its independence determinations, the Board considered mortgage insurance premiums that we received on loans where American Security Mortgage Corp. (of which Mr. Abbott is the Chairman and a principal) was the original insured and our provision of contract underwriting services to American Security Mortgage Corp. These transactions were below the quantitative threshold noted above and were entered into in the ordinary course of business by us and American Security Mortgage Corp. The Board also considered payments we made to Moody's Analytics (of which Dr. Zandi is an executive officer) for research and subscription services for Moody's Economy.com and related publications, and payments to Moody's Investor Services for credit rating services. These transactions were below the quantitative threshold noted above and were entered into in the ordinary course of business by us, Moody's Analytics and Moody's Investor Services.

Board Leadership

Currently, Mr. Culver serves as Chairman of the Board and Chief Executive Officer. The Board believes that we and our shareholders are best served at this time by this leadership structure, in which a single leader serves as Chairman and CEO and the Board has a Lead Director. Combining the roles of Chairman and CEO makes clear that the person serving in these roles has primary responsibility for managing our business, under the oversight and review of the Board. Under this structure, the Chairman and CEO chairs Board meetings, where the Board discusses strategic and business issues. The Board believes that this approach makes sense because the CEO is the individual with primary responsibility for developing our strategy, directing the work of other officers and leading implementation of our strategic plans as reviewed by the Board. This structure results in a single leader being directly accountable to the Board and, through the Board, to shareholders, and enables the CEO to act as the key link between the Board and other members of management. In addition, the Board believes that having a combined Chairman and CEO is appropriate for us at this time because of Mr. Culver's familiarity with our business and history of outstanding leadership. Mr. Culver has been with us since 1985, and has served as Chief Executive Officer since 2000 and as Chairman of the Board since 2005.

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Because the Board also believes that strong, independent Board leadership is a critical aspect of effective corporate governance, the Board has established the position of Lead Director. The Lead Director is an independent director selected by the independent directors. Mr. Jastrow has served as the Lead Director since the position was established in 2009. The Lead Director's responsibilities and authority include:

- presiding at all meetings of the Board at which the Chairman and CEO is not present;
- having the authority to call and leading executive sessions of the non-management directors (the Board meets in executive session after each Board meeting at which directors are present in person);
- serving as a conduit between the Chairman and CEO and the non-management directors to the extent requested by the non-management directors;
- serving as a conduit for the Board's informational needs, including proposing topics for Board meeting agendas; and
- being available, if requested by major shareholders, for consultation and communication.

The Board believes that a single leader serving as Chairman and CEO, together with an experienced and engaged Lead Director, is the most appropriate leadership structure for the Board at this time. The Board reviews the structure of the Board and the Board's leadership as part of the succession planning process. The Board reviews succession planning for the CEO annually. The Management Development, Nominating and Governance Committee is responsible for overseeing this process and periodically reports to the Board.

Communicating with the Board

Shareholders and other interested persons can communicate with the members of the Board, the non-management members of the Board as a group or the Lead Director, by sending a written communication to our Secretary, addressed to: MGIC Investment Corporation, Secretary, P.O. Box 488, Milwaukee, WI 53201. The Secretary will pass along any such communication, other than a solicitation for a product or service, to the Lead Director.

Board Attendance

The Board of Directors held 11 meetings during 2012. Each director attended at least 75% of the meetings of the Board and committees of the Board on which he served during 2012. The Annual Meeting of Shareholders is scheduled in conjunction with a Board meeting and, as a result, directors are expected to attend the Annual Meeting. Ten of our directors attended the 2012 Annual Meeting of Shareholders.

Committees

The Board has five committees: Audit; Management Development, Nominating and Governance; Risk Management; Securities Investment; and Executive. Information regarding these committees is provided below. The charters of the Audit, Management Development, Nominating and Governance, Risk Management and Securities Investment Committees are available on our website (<http://mtg.mgic.com>) under the "Investor Information; Corporate Governance" links. Written copies of these charters are available to any shareholder who submits a written request to our Secretary. The functions of the Executive Committee are established under our Bylaws and are described below.

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Audit Committee

The members of the Audit Committee are Messrs. Lehman (Chairman), Abbott, Holt, Kearney and McIntosh. The Board's determination that each of these directors meets all applicable independence requirements took into account the heightened independence criteria that apply to Audit Committee members under SEC and NYSE rules. The Board has determined that Messrs. Holt and Lehman are "audit committee financial experts" as defined in SEC rules. The Committee met 17 times during 2012.

Audit Committee Report

The Audit Committee assists the oversight by the Board of Directors of the integrity of MGIC Investment Corporation's financial statements, the effectiveness of its system of internal controls, the qualifications, independence and performance of its independent accountants, the performance of its internal audit function, and its compliance with legal and regulatory requirements.

The Audit Committee reviewed and discussed with management and PricewaterhouseCoopers LLP ("PwC"), MGIC Investment Corporation's independent registered public accounting firm, its audited financial statements for the year ended December 31, 2012. The Audit Committee discussed with PwC the matters required to be discussed by applicable PCAOB requirements. The Audit Committee also received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding auditor-audit committee communications about independence and discussed with PwC their independence from MGIC Investment Corporation and its management.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that MGIC Investment Corporation's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2012, which has been filed with the SEC. These are the same financial statements that appear in MGIC Investment Corporation's Annual Report to Shareholders.

Members of the Audit Committee:

Michael E. Lehman, Chairman
James A. Abbott
Timothy A. Holt
Daniel P. Kearney
William A. McIntosh

Management Development, Nominating and Governance Committee

The members of the Management Development, Nominating and Governance Committee are Messrs. Jastrow (Chairman), Hagerty, Muma and Nicolaisen. The Committee met four times during 2012. The Committee is responsible for overseeing our executive compensation program, including approving corporate goals relating to compensation for our CEO, determining our CEO's annual compensation and approving compensation for our other senior executives. The Committee prepares the Compensation Committee Report and reviews the Compensation Discussion and Analysis included in our proxy statement. The Committee also makes recommendations to the Board regarding the compensation of directors. Although the Committee may delegate its responsibilities to subcommittees, it has not done so.

The Committee receives briefings on information that includes: detailed breakdowns of the compensation of the named executive officers, the amount, if any, that our named executive officers realized in at least the previous five

years pursuant to sales of shares awarded under equity grants; the total amount of stock, stock options, restricted stock and RSUs held by each named executive officer (restricted stock and RSUs are sometimes collectively referred to in this proxy statement as “restricted equity”); and the other compensation information disclosed in this proxy statement under the SEC’s rules. The Committee supports the Board’s role in overseeing the risks facing the Company, as described in more detail below under “Board Oversight of Risk.”

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The Committee has retained Frederic W. Cook & Co. (“FWC”), a nationally recognized executive compensation consulting firm, to advise it. The Committee retains this compensation consultant to, among other things, help it evaluate and oversee our executive compensation program and review the compensation of our directors. The scope of the compensation consultant’s services during 2012 is described under “Compensation Discussion and Analysis — Independent Compensation Consultant” below. In providing its services to the Management Development, Nominating and Governance Committee, the compensation consultant regularly interacts with our senior management. The compensation consultant does not provide any other services to us. The Committee has assessed the independence of FWC pursuant to Securities and Exchange Commission rules and concluded that FWC’s work for the Compensation Committee does not raise any conflict of interest.

The Committee also evaluates the annual performance of the CEO, oversees the CEO succession planning process, and makes recommendations to the Board to fill open director and committee member positions. In addition, the Committee reviews our Corporate Governance Guidelines and oversees the Board’s self-evaluation process. Finally, the Committee identifies new director candidates through recommendations from Committee members, other Board members and our executive officers, and will consider candidates who are recommended by shareholders.

Shareholders may recommend a director candidate for consideration by the Management Development, Nominating and Governance Committee by submitting background information about the candidate, a description of his or her qualifications and the candidate’s consent to being recommended as a candidate. If the candidate is to be considered for nomination at the next annual shareholders meeting, the submission must be received by our corporate Secretary in writing no later than December 1 of the year preceding the meeting. Information on shareholder nominations is provided under “About the Meeting and Proxy Materials” in response to the question “What are the deadlines for submission of shareholder proposals for the next Annual Meeting?”

The Committee evaluates new director candidates under the criteria described under “Information About Our Directors” as well as other factors the Committee deems relevant, through background reviews, input from other members of the Board and our executive officers, and personal interviews with the candidates, which need not be conducted by all members of the Committee. The Committee will evaluate any director candidates recommended by shareholders using the same process and criteria that apply to candidates from other sources.

Risk Management Committee

The members of the Risk Management Committee are Messrs. Nicolaisen (Chairman), Abbott and McIntosh, and Dr. Zandi. The Committee met six times in 2012. The Committee is responsible for overseeing management’s operation of our mortgage insurance business, including reviewing and evaluating with management the insurance programs, rates, underwriting guidelines and changes in market conditions affecting our business. The Risk Management Committee supports the Board’s role in overseeing the risks facing the Company, as described in more detail below under “Board Oversight of Risk.”

Securities Investment Committee

The members of the Securities Investment Committee are Messrs. Kearney (Chairman), Holt, McIntosh and Muma. The Committee met seven times in 2012. The Committee oversees management of our investment portfolio and the investment portfolios of our employee benefit plans for which the plan document does not assign responsibility to other persons. The Committee also makes recommendations to the Board regarding our capital management, including dividend policy, repurchase of debt and external funding. Finally, the Committee supports the Board’s role in overseeing the risks facing the Company, as described in more detail below under “Board Oversight of Risk.”

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Executive Committee

The Executive Committee provides an alternative to convening a meeting of the entire Board should a matter arise between Board meetings that requires Board authorization. The members of the Committee are Messrs. Culver (Chairman), Jastrow and Muma. The Committee did not meet in 2012. The Committee is established under our Bylaws and has all authority that the Board may exercise with the exception of certain matters that under the Wisconsin Business Corporation Law are reserved to the Board itself.

Board Oversight of Risk

Our senior management is charged with identifying and managing the risks facing our business and operations. The Board of Directors is responsible for oversight of how our senior management addresses these risks to the extent they are material. In this regard, the Board seeks to understand the material risks we face and to allocate, among the full Board and its committees, responsibilities for overseeing how management addresses the risks, including the risk management systems and processes that management uses for this purpose. Overseeing risk is an ongoing process. Accordingly, the Board periodically considers risk throughout the year and also with respect to specific proposed actions.

The Board implements its risk oversight function both as a whole and through delegation to various committees. These committees meet regularly and report back to the full Board. The following four committees play significant roles in carrying out the risk oversight function.

- The Management Development, Nominating and Governance Committee: The Management Development, Nominating and Governance Committee evaluates the risks and rewards associated with our compensation philosophy and programs.
- The Risk Management Committee: The Risk Management Committee oversees risks related to our mortgage insurance business.
- The Securities Investment Committee: The Securities Investment Committee oversees risks related to our investment portfolio and capital management.
- The Audit Committee: The Audit Committee oversees our processes for assessing risks and the effectiveness of our system of internal controls. In performing this function, the Audit Committee considers information from our independent registered public accounting firm and internal auditors and discusses relevant issues with management, the Internal Audit Director and the independent registered public accounting firm. As noted above, risks are also reviewed by the Management Development, Nominating and Governance Committee, the Risk Management and the Securities Investment Committees.

We believe that our leadership structure, discussed in “Board Leadership” above, supports the risk oversight function of the Board. We have a combined Chairman of the Board and CEO who keeps the Board informed about the risks facing us. In addition, independent directors chair the various committees involved with risk oversight and there is open communication between senior management and directors.

COMPENSATION OF DIRECTORS

Under our Corporate Governance Guidelines, compensation of non-management directors is reviewed periodically by the Management Development, Nominating and Governance Committee. Mr. Culver is our CEO and receives no additional compensation for service as a director and he is not eligible to participate in any of the following programs

or plans.

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Annual and Meeting Fees: In 2012, our non-management directors were paid an annual retainer of \$100,000, our Lead Director was paid an additional annual retainer of \$25,000 and the Chairpersons of the Audit Committee and other Board committees received additional annual fees of \$20,000 and \$10,000, respectively. Non-Chairperson directors who were members of the Audit Committee in 2012 received an additional \$5,000 annual fee. In addition, after the fifth Board meeting attended, or the fifth Committee meeting attended for a particular committee, during 2012, our non-management directors also received \$3,000 for each Board meeting attended, and \$2,000 for all Committee meetings attended on any one day. Finally, subject to certain limits, we reimburse directors, and for meetings not held on our premises, their spouses, for travel, lodging and related expenses incurred in connection with attending Board and Committee meetings.

Deferred Compensation Plan and Annual Grant of Share Units: Our non-management directors can elect to defer payment of all or part of the annual and meeting fees until the director's death, disability, termination of service as a director or to another date specified by the director. A director who participates in this plan will have his or her deferred compensation account credited quarterly with interest accrued at an annual rate equal to the six-month U.S. Treasury Bill rate determined at the closest preceding January 1 and July 1 of each year. In 2008 and prior years, our non-management directors could, as an alternative, elect to have the fees deferred during a quarter translated into share units. Each share unit is equal in value to one share of our Common Stock and is ultimately distributed only in cash. If a director deferred fees into share units, dividend equivalents in the form of additional share units are credited to the director's account as of the date of payment of cash dividends on our Common Stock (we have not paid dividends since 2008).

Under the Deferred Compensation Plan, we also provide an annual grant of cash-settled share units to each director. These share units vest at least twelve months after they are awarded. Share units that have not vested when a director leaves the Board are forfeited, except in the case of the director's death or certain events specified in the Deferred Compensation Plan. The Management Development, Nominating and Governance Committee may waive the forfeiture. Dividend equivalents in the form of additional share units are credited to the director's account as of the date of payment of cash dividends on our Common Stock. In January 2012, each of our non-management directors was granted share units valued at \$100,000, which vested on February 1, 2013.

Former Deposit Share Program: In 2009, we eliminated the Deposit Share Program, which was previously offered to directors under our 2002 Stock Incentive Plan. Under the Deposit Share Program a non-management director was able to purchase shares of Common Stock from us at fair market value which were then held by us. The amount that could be used to purchase shares could not exceed the director's annual and meeting fees for the preceding year. We matched each of these shares with one and one-half shares of restricted stock or, at the director's option, RSUs. A director who deferred annual and meeting fees from the prior year into share units under the plan described above was able to reduce the amount needed to purchase Common Stock by the amount so deferred. For matching purposes, the amount so deferred was treated as if shares had been purchased and one and one-half shares of restricted stock or RSUs were awarded for each such share.

Between 2005 and 2008, the restricted stock and RSUs awarded under the program vested one year after the award. Prior to 2005, vesting occurred on the third anniversary of the award unless a director chose a later date. Except for gifts to family members, the restricted stock could not be transferred prior to vesting; RSUs were not transferable. Awards that have not vested when a director leaves the Board are forfeited, except in the case of the director's death or certain events specified in the agreement relating to the awards. The Management Development, Nominating and Governance Committee may waive the forfeiture. All shares of restricted stock and RSUs vest on the director's death and will immediately become vested upon a change in control. RSUs that have vested are settled in Common Stock when the director is no longer a Board member. The director receives a cash payment equivalent to the dividend corresponding to the number of shares underlying the director's RSUs outstanding on the record date for Common Stock dividends.

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Former RSU Award Program: We eliminated the RSU Award Program in 2009. Prior to its elimination, our non-management directors were each awarded RSUs representing 850 shares of Common Stock under the program annually. The RSUs vested on or about the first anniversary of the award date, or upon the earlier death of the director. RSUs that have vested will be settled in Common Stock when the director is no longer a Board member. The director receives a cash payment equivalent to the dividend corresponding to the number of shares underlying the director's RSUs outstanding on the record date for Common Stock dividends.

Former Restricted Stock Plan: Non-management directors elected to the Board before 1997 were each awarded, on a one-time basis, 2,000 shares of Common Stock under our 1993 Restricted Stock Plan for Non-Employee Directors. The shares are restricted from transfer until the director ceases to be a director by reason of death, disability or retirement, and are forfeited if the director leaves the Board for another reason unless the forfeiture is waived by the plan administrator.

Equity Ownership Guidelines: The Management Development, Nominating and Governance Committee has adopted equity ownership guidelines for directors under which each member of the Board is expected to own 25,000 shares of our equity. Equity owned consists of shares owned outright by the director, restricted equity and share units that have vested or are scheduled to vest within one year. Directors are expected to achieve the ownership guideline within five years after joining the Board. All of our directors are in compliance with the guidelines.

Other: We also pay premiums for directors and officers liability insurance under which the directors are insureds.

2012 Director Compensation

The following table shows the compensation paid to each of our non-management directors in 2012. Mr. Culver, our CEO, is also a director but receives no compensation for service as a director.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards	
		\$(1)	Total (\$)
James A. Abbott	147,000	100,000	247,000
Thomas M. Hagerty	112,000	100,000	212,000
Timothy A. Holt	143,000	100,000	243,000
Kenneth M. Jastrow, II	153,000(2)	100,000	253,000
Daniel P. Kearney	159,000	100,000	259,000
Michael E. Lehman	159,000	100,000	259,000
William A. McIntosh	151,000	100,000	251,000
Leslie M. Muma	122,000	100,000	222,000
Donald T. Nicolaisen	130,000	100,000	230,000
Mark M. Zandi	117,000	100,000	217,000

(1) The amounts shown in this column represent the grant date fair value of the annual share unit award granted to non-management directors in 2012 under our Deferred Compensation Plan, computed in accordance with FASB Accounting Standard Codification ("ASC") Topic 718. The value of each share unit is equal to the value of our Common Stock on the grant date. See "Compensation of Directors — Deferred Compensation Plan and Annual Grant of Share Units" above for more information about these grants.

At December 31, 2012, the aggregate number of stock awards (including restricted stock, RSUs, and share units granted under our Deferred Compensation Plan) outstanding and owned by our non-management directors was as

follows: Mr. Abbott — 31,857; Mr. Hagerty — 64,531; Mr. Holt — 25,316; Mr. Jastrow — 87,004; Mr. Kearney — 124,561; Lehman — 29,748; Mr. McIntosh — 30,366; Mr. Muma — 62,173; Mr. Nicolaisen — 70,625; and Dr. Zandi — 25,316. At December 31, 2012, the aggregate number of shares owned directly or in trusts by our non-management directors was as follows: Mr. Abbott — 31,437; Mr. Hagerty — 8,181; Mr. Jastrow — 1,146; Mr. Kearney — 77,483; Mr. Lehman — 7,483; Mr. McIntosh — 51,523; Mr. Muma — 142,991; and Mr. Nicolaisen — 50,182. At December 31, 2012, the total stock awards outstanding and direct / trust ownership of stock held by each of our directors was as follows: Mr. Abbott — 63,294; Mr. Hagerty — 72,212; Mr. Holt — 25,316; Mr. Jastrow — 88,150; Mr. Kearney — 202,044; Mr. Lehman — 37,187; Mr. McIntosh — 81,889; Mr. Muma — 205,164; Mr. Nicolaisen — 120,807; and Dr. Zandi — 25,316.

(2)Includes \$25,000 retainer paid for services as Lead Director.

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ITEM 2 – APPROVAL OF OUR AMENDED AND RESTATED RIGHTS AGREEMENT

At the Annual Meeting, we will ask our shareholders to approve the Amended and Restated Rights Agreement by and between the Company and Wells Fargo Bank, National Association, dated July 25, 2012, as amended through March 11, 2013 (the “Rights Agreement”). The Rights Agreement is attached to this Proxy Statement as Appendix A. If our shareholders do not approve the Rights Agreement at the Annual Meeting, our Board of Directors intends to redeem the Rights or otherwise render them ineffective promptly after the certification of the vote.

The Company has had a shareholder rights agreement in place since 1999. Prior to the Board of Directors’ approval of the Rights Agreement on July 25, 2012, the Company had in place a rights agreement dated July 7, 2009, as amended through June 19, 2012 (the “2009 Rights Agreement”). The 2009 Rights Agreement was approved by shareholders in 2010. The 2009 Rights Agreement was scheduled to expire by its terms on August 17, 2012. On July 25, 2012, the Board of Directors approved amendments to the 2009 Rights Agreement by approving the Rights Agreement. On each of March 4, 2013 and March 11, 2013, the Board of Directors approved amendments to the Rights Agreement.

Our Board of Directors adopted the Rights Agreement in an effort to continue to protect shareholder value by preserving the Company’s net operating losses (“NOLs”) from limitation or loss and by deterring certain abusive takeover practices.

Protection of Valuable NOL Carryforward Assets

We have experienced, and continue to experience, substantial operating losses for tax purposes. We can use these NOLs in certain circumstances to offset any current and future taxable income and, thus, reduce our federal income tax liability. Applicable tax law subjects our ability to take advantage of these NOLs to certain requirements and restrictions. To the extent that the NOLs are not otherwise limited, we believe that we will be able to carry forward a significant amount of NOLs and that these NOLs could be a substantial asset to us.

The benefit of the NOLs to the Company, including NOLs arising in the future, will be substantially limited, and the timing of the usage of the NOLs could be substantially delayed, if we were to experience an “ownership change” as defined in Section 382 of the Internal Revenue Code (“Section 382”). If an “ownership change” were to occur, the amount of the Company’s income in a subsequent year that could be offset by carryforwards of NOLs that arose before the “ownership change,” or by losses that are recognized after the ownership change but that were economically accrued prior to the “ownership change,” would be subject to limitation. In general, the annual limit is obtained by multiplying (i) the aggregate value of our outstanding equity immediately prior to the “ownership change” (reduced by certain capital contributions made during the immediately preceding two years and certain other items) by (ii) the federal long-term tax-exempt interest rate applicable to the month of the “ownership change.” In applying this annual limit, numerous special rules and limitations apply. If we were to experience an “ownership change” at our current stock price levels, we believe we would be subject to an annual NOL limitation that could result in a material amount of NOLs expiring unused and that could result in a significant impairment to any NOL assets the Company may have at that time.

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Although any NOL carryforwards that are not used as a result of a Section 382 limitation would remain available to offset income in future years (again, subject to the Section 382 limitation) until the NOL carryforwards expire, any “ownership change” could significantly defer the utilization of the NOL carryforwards and cause some of the NOL carryforwards to expire unused, and could accelerate payment of federal income tax. Because the aggregate value of our outstanding stock and the federal long-term tax-exempt interest rate fluctuate, it is impossible to predict with any accuracy the annual limitation upon the amount of our taxable income that could be offset by such NOL carryforwards were an “ownership change” to occur during the term of the Rights Agreement, but we believe such limitation would be material.

It is not possible to fully determine or estimate the level of NOLs that are now, or in the future may be, available to us to offset taxable income that we may have. The amount of NOLs remaining at the end of the 2012 year, after taking into account all currently available carrybacks of NOLs into prior years, is approximately \$2.5 billion.

Section 382 Ownership Calculations

To determine whether an “ownership change” has occurred, the Company must compare the percentage of stock owned by each 5-percent shareholder immediately after any change in the ownership of its stock that affects the percentage owned by a 5-percent shareholder (an “owner shift”) to the lowest percentage of stock owned by each such 5-percent shareholder at any time during the testing period (which is generally a three-year rolling period ending on the day of the potential ownership change). The amount of the increase in the percentage of Company stock owned by each 5-percent shareholder whose stock ownership percentage has increased is added, and an ownership change occurs if the aggregate increase in percentage ownership by all such 5-percent shareholders exceeds 50 percent.

For example, if a single investor acquired 50.1 percent of our stock in a three-year period, an “ownership change” would occur. Similarly, if ten persons, none of whom previously owned our stock, each acquired slightly over 5 percent of our stock within a three-year period (so that such persons owned, in the aggregate, more than 50 percent), an “ownership change” would occur.

In determining whether an “ownership change” has occurred, the rules of Section 382 are very complex, and a complete discussion of them is beyond the scope of this summary discussion. Some of the factors that must be considered in making a Section 382 “ownership change” calculation include the following:

- All holders who each own, directly or indirectly, less than 5 percent of a company’s common stock are generally (but not always) treated as a single 5-percent shareholder. Transactions in the public markets among shareholders who are not 5-percent shareholders are generally (but not always) ignored in the calculation of the owner shift.
- There are several other rules regarding the aggregation and segregation of shareholders who otherwise do not qualify as 5-percent shareholders, including a rule that treats a person who owns, directly or indirectly, less than 5 percent of our stock as a 5-percent shareholder under certain circumstances, and a rule that treats persons acting in concert in certain ways as a single shareholder.

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- Acquisitions by a person that cause that person to become a 5-percent shareholder generally result in a 5 percentage (or more) point change in ownership, regardless of the size of the final purchase that caused the 5 percent threshold to be exceeded.
- Certain constructive ownership rules, which generally attribute ownership of stock owned by estates, trusts, corporations, partnerships or other entities to the ultimate indirect individual owner of the stock, or to related individuals, are applied in determining the level of stock ownership of a particular shareholder. Special rules can result in the treatment of options (including warrants) or other similar interests as having been exercised if such treatment would result in an ownership change.
- The redemption or buyback of shares by an issuer will increase the ownership of any 5-percent shareholders (including groups of shareholders who are not themselves 5-percent shareholders) and can contribute to an “ownership change.” In addition, it is possible that a redemption or buyback of shares could cause a holder of less than 5 percent to become a 5-percent shareholder, resulting in a 5 percentage (or more) point change in ownership.

Currently, we do not believe that we have experienced an “ownership change,” but calculating whether an “ownership change” has occurred is subject to inherent uncertainty. This uncertainty results from the complexity and ambiguity of the Section 382 provisions, as well as limitations on the knowledge that any publicly traded company can have about the ownership of and transactions in its securities.

Protection Against Abusive Takeover Practices

In addition to protecting our NOLs, the Rights Agreement is intended to defend against abusive or otherwise undesirable takeover tactics, such as:

- acquiring stock for the purpose of forcing a sale of the Company at a price that is more than the average cost of the investor’s position, but less than a fair price to shareholders;
- taking control through open-market purchases without giving the shareholders a control premium for their shares or the protections of the federal tender offer rules;
- attempting to acquire the Company at a time when the Company’s common stock is undervalued and at a price that is less than the stock’s intrinsic value; and
- attempting, through a partial tender offer, to acquire a majority interest in the Company and then forcing the remaining public shareholders to accept cash and/or securities of lesser value.

The Rights Agreement discourages such attempts by making an acquisition of the Company that is not approved by our Board of Directors prohibitively expensive for the acquiror by significantly diluting the acquiror’s stock interest in the Company and, in some circumstances, significantly increasing the Company’s market capitalization.

Reasons the Board of Directors Recommends Approval

The Board of Directors believes that the Rights Agreement is in the best interests of the Company’s shareholders because it:

- Diminishes the risk that the Company’s ability to use its NOLs to reduce potential future federal income tax obligations may become substantially limited if the Company were to experience an “ownership change,” with the result that its utilization of loss carryforwards could be deferred, its payment of federal income tax could be

accelerated and some of the NOLs may expire unused.

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- Encourages anyone seeking to acquire control of the Company to negotiate in good faith with the Board and gives the Board significant negotiating power on behalf of the shareholders. This should enable the Board to negotiate a fair premium for shareholders that is consistent with the intrinsic value of the Company and to block any transaction by an acquiror who is unwilling to pay a fair price.
- Does not prevent the making of unsolicited offers or the acquisition of the Company at a full and fair price since the existence of the Rights Agreement does not eliminate the Board's responsibility to consider acquisition proposals in a manner consistent with the directors' fiduciary duties to shareholders.

Description of Rights Agreement

On July 22, 1999, pursuant to a previous rights agreement, the Board declared a dividend of one common share purchase right (a "Right") for each outstanding share of common stock, \$1.00 par value (the "Common Shares"), of the Company. The dividend was payable on August 9, 1999 to the shareholders of record on that date (the "Record Date"). On July 7, 2009, our Board amended the previous rights agreement and adopted the 2009 Rights Agreement in an effort to protect shareholder value by attempting to diminish the risk that the Company's ability to use its NOLs to reduce potential future federal income tax obligations may become substantially limited and by deterring certain abusive takeover practices. The material amendments made to the 2009 Rights Agreement by the Rights Agreement, as amended through March 11, 2013, extended the expiration date until August 1, 2015 from August 17, 2012, decreased the exercise price from \$25 to \$14 and reduced the number of shares that may be purchased upon exercise from one-half of one share to one-tenth of one share.

The Rights. The Rights will initially trade with, and will be inseparable from, the Common Shares. The Rights are evidenced only by certificates that represent Common Shares (or by notations in book entry accounts). New Rights will accompany any new Common Shares we issue until the Distribution Date described below or until the Rights are redeemed or the Rights Agreement expires.

Exercise Price. Each Right will allow its holder to purchase from our Company one-tenth of one Common Share for \$14.00 per full Common Share (equivalent to \$1.40 for each one-tenth of a Common Share), once the Rights become exercisable. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Exercisability. The Rights will not be exercisable until the earlier of (1) 10 days after the public announcement, or the Board concluding, that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 5.0% or more of our outstanding Common Shares, subject to certain exceptions, or (2) 10 business days (or such later date as the Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an "Acquiring Person."

An "Acquiring Person" will not include:

- i. the Company, its subsidiaries and certain benefit plans of the Company and its subsidiaries;
- ii. any of certain "grandfathered" persons ("Grandfathered Persons") that would have otherwise been Acquiring Persons as of the close of business on July 7, 2009;

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iii. an “Exempt Person,” which is any person who delivers to the Company a letter that, as determined by the Company in its sole discretion, is substantially in the form as specified in the Rights Agreement or is an affiliate or associate of another person who delivers such a letter to the Company and whose beneficial ownership of 5.0% or more of the outstanding Common Shares would not, as determined either (1) prior to the person becoming the beneficial owner of 5.0% or more of the Common Shares or (2) if the Company determines that such Person (by itself or together with its affiliates and associates) had inadvertently become a beneficial owner of 5.0% or more of the Common Shares, then after the time such person becomes the beneficial owner of 5.0% or more of the Common Shares), by the Company in its sole discretion, jeopardize or endanger the availability to the Company of the net operating loss carryovers, other tax carryovers and tax benefits of the Company and its subsidiaries within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the “Tax Benefits”); provided that such person shall not qualify for this exception unless and until it, or its affiliate or associate who delivers the aforementioned letter, has received written notice of such determination by the Company; provided, further, that such person will lose this exemption from being an Acquiring Person from such time (if any) as (A) in respect of the aforementioned letter that such person, or its affiliate or associate, delivered, a representation or warranty of such person, or its affiliate or associate, in such letter was not true and correct when made, a representation or warranty of such person, or its affiliate or associate, in such letter that was to remain true and correct after the date of the letter as contemplated therein ceases to remain true and correct or such person, or its affiliate or associate, ceases to comply with a covenant contained in such letter or (B) such person becomes the beneficial owner of 10.0% or more of the Common Shares then outstanding;

iv. any person who or which the Company determines, in its sole discretion, has inadvertently become a beneficial owner of 5.0% or more of the Common Shares then outstanding (or has inadvertently failed to continue to qualify as a Grandfathered Person or Exempt Person), provided such person promptly enters into, and delivers to the Company, an irrevocable commitment to divest or cause its affiliates and associates to divest promptly (A) if the Person delivers the required representation letter and requests a determination that it is an Exempt Person, then the time, if any, upon which the Company informs the Person of its adverse determination with respect to such a request (with no divestiture being required if the Person is determined to be an Exempt Person), or (B) if the Person does not both deliver the required representation letter and request a determination that it is an Exempt Person, then the time of such commitment, and thereafter such person or its affiliates and associates promptly divest to the extent and promptly after the time specified by clause (A) or (B) above (without exercising or retaining any power, including voting, with respect to such Common Stock), sufficient Common Shares so that the percentage stock ownership of such person and its affiliates and associates is less than 5.0% (or, in the case of any person who or which has inadvertently failed to continue to qualify as a Grandfathered Person or an Exempt Person, the Common Shares that caused such person to so fail to qualify as a Grandfathered Person or an Exempt Person, as the case may be); and

v. any person who becomes a beneficial owner of 5.0% or more of the Common Shares then outstanding (or has failed to continue to qualify as a Grandfathered Person or an Exempt Person) as a result of one or more transactions that the Board determines, in its sole discretion and on such terms and conditions as the Board may in its sole discretion prescribe, should have the consequences of exempting such person from becoming an Acquiring Person (an “Exempt Transaction Determination”); provided, however, that such a person will become an Acquiring Person at such time as the person no longer satisfies the terms or conditions, if any, that the Board prescribed in its Exempt Transaction Determination (unless the person no longer beneficially owns 5.0% or more of the Common Shares then outstanding or qualifies for another exception).

We refer to the date when the Rights become exercisable as the “Distribution Date.” Until that date, the certificates (or book entries) for the Common Shares will also evidence the Rights, and any transfer of Common Shares will constitute a transfer of Rights. After that date, the Rights will separate from the Common Shares and be evidenced by book entry credits or by Rights certificates that we will mail to all eligible holders of Common Shares. Any Rights held by an Acquiring Person are void and may not be exercised.

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Flip In. If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for \$14.00, purchase Common Shares with a market value of \$28.00, based on the market price of the Common Shares prior to such acquisition.

Expiration. Subject to extension as provided under the Rights Agreement, the Rights will expire on the earliest to occur of (i) August 1, 2015 (the “Final Expiration Date”); (ii) the time at which the Rights are redeemed as provided in the Rights Agreement; (iii) the time at which the Rights are exchanged as provided in the Rights Agreement; (iv) the repeal of Section 382 if the Board determines that the Rights Agreement is no longer necessary for the preservation of the Tax Benefits that would have been affected by such section; and (v) the beginning of a taxable year of the Company to which the Board determines that no Tax Benefits may be carried forward.

Redemption. Our Board may redeem the Rights for \$0.001 per Right at any time before any person or group becomes an Acquiring Person. If our Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of \$0.001 per Right. The redemption price will be adjusted if we have a stock split or stock dividends of our Common Shares.

Exchange. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding Common Shares, our Board may extinguish the Rights by exchanging one Common Share or an equivalent security for each Right, other than Rights held by the Acquiring Person.

Fractional Shares. No fractional Common Shares will be issued in connection with the exercise or exchange of Rights. In lieu of issuing fractional Common Shares equal to one-half of a Common Share or less upon the exercise of Rights, the Company will pay cash with an equivalent value based on the market price of the Common Shares on the last trading day prior to the date of exercise. No Rights may be exercised that would entitle the holder thereof to any fractional Common Share greater than one-half of a Common Share unless concurrently therewith such holder purchases an additional fraction of a Common Share which when added to the number of Common Shares to be received upon such exercise, equals an integral number of Common Shares. In lieu of issuing fractional Common Shares upon the exchange of Rights, the Company will pay cash with an equivalent value based on the market price of the Common Shares on the last trading day prior to the date of exchange.

Anti-Dilution Provisions. The Purchase Price payable, and the number of Common Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Common Shares, (ii) upon the grant to holders of the Common Shares of certain rights or warrants to subscribe for or purchase Common Shares at a price, or securities convertible into Common Shares with a conversion price, less than the then current market price of the Common Shares or (iii) upon the distribution to holders of the Common Shares of evidences of indebtedness or assets (excluding regular quarterly cash dividends or dividends payable in Common Shares) or of subscription rights or warrants (other than those referred to above).

Amendments. Other than amendments that would change the Redemption Price or move to an earlier date the Final Expiration Date, the terms of the Rights may be amended by the Board without the consent of the holders of the Rights, except that from and after the Distribution Date no such amendment may adversely affect the interests of the holders of the Rights.

The foregoing summary description of the Rights Agreement and the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is attached as Appendix A.

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Certain Considerations Relating to the Rights Agreement

You should read and consider the factors below when deciding whether to vote for the approval of the Rights Agreement.

Future Use and Amount of the NOL carryforwards is Uncertain. Our use of our NOL carryforwards depends on our ability to generate taxable income in the future. We cannot assure you that we will have taxable income in any applicable period or, if we do, whether such income or the NOL carryforwards at such time will exceed any potential Section 382 limitation.

Potential Challenge to the NOL Carryforwards. We have been audited by the Internal Revenue Service (“IRS”) for 2009 and 2010. The amount of our NOL carryforward arising after 2010 has not been audited or otherwise validated by the IRS. The IRS could challenge the amount of the NOLs, which could result in an increase in our liability in the future for income taxes. In addition, determining whether an “ownership change” has occurred is subject to uncertainty, as discussed above under “Section 382 Ownership Calculations.” Therefore, we cannot assure you that the IRS or other taxing authority will not claim that we experienced an “ownership change” and attempt to reduce the benefit of the NOL carryforwards even if the Rights Agreement is in place.

Continued Risk of Ownership Change. Although the Rights Agreement is intended to diminish the likelihood of an “ownership change,” we cannot assure you that it will be effective. The amount by which our ownership may change in the future could, for example, be affected by purchases and sales of stock by 5-percent shareholders and the conversion of our outstanding convertible subordinated debentures and convertible notes, over which we have no control, and new issuances of stock by us, should we choose to do so.

Potential Effects on Shareholder Liquidity. The Rights Agreement is intended to deter persons or groups of persons from acquiring beneficial ownership of shares of our stock in excess of the specified limitations. A shareholder’s ability to dispose of our stock may be limited if the Rights Agreement reduces the number of persons willing to acquire our stock or the amount they are willing to acquire.

Potential Impact on Value. The Rights Agreement could negatively impact the value of our stock by deterring persons or groups of persons from acquiring shares of our stock, including in acquisitions for which some shareholders might receive a premium above market value.

Anti-Takeover Effect. The Rights Agreement has an “anti-takeover effect” because it will deter a person or group of persons from acquiring beneficial ownership of 5% or more of our stock or, in the case of persons that already own 5% or more of our stock, from acquiring any additional shares of our stock, unless such person or group becomes an Exempt Person, in which case the beneficial ownership deterrence threshold will be 10%. The Rights Agreement could discourage or prevent a merger, tender offer, proxy contest or accumulations of substantial blocks of shares.

Shareholder Vote Required

Approval of the Amended and Restated Rights Agreement requires the affirmative vote of a majority of the votes cast on this matter. Abstentions and broker non-votes will not be counted as votes cast.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDED AND RESTATED RIGHTS AGREEMENT. SIGNED PROXY CARDS AND VOTING INSTRUCTION FORMS WILL BE VOTED FOR APPROVAL UNLESS A SHAREHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD OR VOTING INSTRUCTION FORM.

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ITEM 3 – ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION

At our 2011 Annual Meeting, we held a non-binding, advisory shareholder vote on the frequency of future advisory shareholder votes on the compensation of our named executive officers. Our shareholders expressed a preference that advisory shareholder votes on the compensation of our named executive officers be held on an annual basis and, as previously disclosed, the Company adopted a policy to hold such votes annually. Accordingly, as required by Section 14A of the Securities Exchange Act of 1934, we are asking shareholders to approve, on an advisory basis, the compensation of our named executive officers as disclosed under the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material contained in this proxy statement.

We strongly believe you should approve our compensation for the reasons cited in the Executive Summary that appears at the beginning of the Compensation Discussion and Analysis.

While this vote is advisory and is not binding, the Board and the Management Development, Nominating and Governance Committee will review and consider the voting results when making future decisions regarding compensation of named executive officers.

After this vote, under the Company's policy, the next advisory vote to approve the compensation of our named executive officers is scheduled to occur at our 2014 Annual Meeting.

Shareholder Vote Required

Approval of the compensation of our named executive officers requires the affirmative vote of a majority of the votes cast on this matter. Abstentions and broker non-votes will not be counted as votes cast.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS. SIGNED PROXY CARDS AND VOTING INSTRUCTION FORMS WILL BE VOTED FOR THE APPROVAL OF THE EXECUTIVE COMPENSATION UNLESS A SHAREHOLDER GIVES OTHER INSTRUCTIONS ON THE PROXY CARD OR VOTING INSTRUCTION FORM.

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis ("CD&A") provides information about the compensation objectives and policies for our chief executive officer, our chief financial officer and our three other most highly compensated executive officers (our "named executive officers" or "NEOs") to place in perspective the information contained in the compensation tables that follow the CD&A. The Management Development, Nominating and Governance Committee oversees our executive compensation program. In this CD&A, we refer to this committee as the "Committee." The terms "we" and "our" refer to the Company.

The Executive Summary below presents important factors to consider in evaluating our compensation program for our NEOs. To enable us to present these factors concisely, we did not include additional information that provides details or adds additional context regarding what we say. That information, which is also important and you should read, appears in the Appendix at the end of the CD&A. We follow the Executive Summary with a discussion of how the Committee's executive compensation decisions align with our compensation objectives, and then provide a more detailed discussion of the elements of our executive compensation program and our compensation policies and processes.

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I. Executive Summary

Distinguishing 2012 Performance from Historical Performance

Our business – taking first loss credit risk on low down payment residential mortgages – is “long tailed” in that decisions made years ago, in a different business, economic and competitive environment, can affect our current financial performance. In fact, our financial performance in 2012 primarily reflects mortgage insurance written four and more years earlier. This is because approximately 98% of our incurred losses were from mortgage insurance written in 2008 and before.

Restricted stock is a large portion of our pay. Hence, our NEOs, along with other shareholders, have suffered the economic consequences of the mortgage insurance written in 2008 and prior years. The challenge in analyzing our current compensation program is to isolate Company performance in 2012 and recent years from our overall performance because we believe the focus should be on how decisions we made under our CEO’s leadership in 2012 and recent years contributed to positioning us to succeed in the future.

Our public offerings of stock and debt that closed March 12, 2013, in which we raised almost \$1.15 billion, illustrate this point. We believe an important reason we were able to raise funds equal to more than double our year-end 2012 market capitalization was that investors looked beyond the legacy business adversely impacting our financial results and took account of our operations after 2008 and the positive effect they should have on our overall results in the future. From January 1, 2013 through March 12, 2013, our stock price increased by 47%.

Our Compensation Program is Designed to Reward the Drivers of Operational Success

Our executive compensation program places a heavy emphasis on long-term equity awards in order to align our NEOs’ interests with those of our shareholders. To provide an incentive for performance that positions us to succeed in the future, the performance goals of our long-term equity awards target the operational metrics that most impact our business: our loss ratio, market share and expense ratio. Vesting for 82% of our 2012 long-term equity awards depends on performance compared to individual goals that use these metrics (the “LME Grants”). Vesting for the remaining 18% of our 2012 long-term equity awards depends on performance compared to a goal that is the sum of two of the metrics, the loss ratio and expense ratio (the “CR Grants”).

2012 Performance Based on Operational Metrics

Loss Ratio. During 2012, we continued to write a high quality book of business, as we did in 2009-2011. The table below shows the incurred loss ratio for the books we wrote:

- in 2005 versus 2009 in both cases after four years of seasoning;
- in 2006 versus 2010 after three years;
- in 2007 versus 2011 after two years; and
- in 2008 versus 2012 after one year.

As seen below, it is the books from 2008 and prior years that have generated the losses that continue to affect adversely our financial performance, while the more recent books are performing very well.

Incurred Loss Ratio							
After 4 Years		After 3 Years		After 2 Years		After 1 Year	
2005	134.1%	2006	244.7%	2007	189.2%	2008	122.2%
2009	13.1%	2010	5.7%	2011	3.1%	2012	1.2%

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The improvement in the quality of our recent books is a result of tightening our underwriting standards and a move to risk-based pricing. As a result, lower-quality business shifted away from us (and other private mortgage insurers who tightened their underwriting guidelines and made other changes) and shifted primarily to the Federal Housing Administration (the “FHA”), a mortgage insurer run by the federal government. The table below compares the quality of our recent books of business to the quality of the FHA’s recent books of business. You can see the improvement in our performance is not simply a case of “a rising tide lifts all boats,” but of a decision by us to restrict business with unacceptable risk.

Percentage of Loans Delinquent by Book Year			
	2009	2010	2011
MGIC	1.7%	0.6%	0.3%
FHA	7.5%	3.5%	1.0%

Market Share. After being the market share leader through 2010, our market share decreased in 2011 and 2012 such that we are currently third. We believe we lost a material amount of market share to two competitors that priced single premium policies below a level we expect will result in an acceptable return on capital. While our overall revenues suffered as a result of our decision not to match pricing we viewed as inadequate, we believe we are earning materially more than these competitors on the business we do write. Our higher net earned premium yield on the 2011 and 2012 books compared to one of those competitors is shown in the table below. (The other competitor does not publicly release the information that would enable us to make this computation for it.)

Net Earned Premium Yield (through December 31, 2012)		
	2011 Book	2012 Book
MGIC	80.3 bps	27.3 bps
Competitor	60.6 bps	16.9 bps

Because our market share fell short of the performance goals associated with our LME Grants, our NEOs expect to forfeit 13% of the LME Grants made in each of 2011 and 2012. Even though our decision to hold our pricing on those products reduced the compensation of our NEOs and adversely affected our results in the short-term, we believe it was the right decision from the perspective of our long-term profitability.

Expense Ratio. During 2012, as we lost market share and otherwise saw our revenues decline, we managed our expenses so that, as shown by the table below, our expense ratio remained at the level it had been in 2009, when our revenues were 22% higher.

Net Premiums Written and Expense Ratio							
	2009	2010	2011	2012			
Net Premiums Written (millions)	\$1,243	\$1,102	\$1,064	\$1,018			
GAAP Underwriting Expense Ratio (Ins. Opns. Only)	15.1	% 16.3	% 16.0	% 15.2	%		

And, as shown by the following table, we run a more efficient operation than our competitors who disclose this information in that our expense ratio is generally much lower than theirs.

Expense Ratio				
	2009	2010	2011	2012
MGIC	15.1%	16.3%	16.0%	15.2%
Radian	23.2%	24.0%	24.7%	26.6%
Genworth	25.0%	27.0%	28.0%	27.0%
PMI	20.9%	21.6%	n/a	n/a

Republic Mortgage Ins. Co.	12.6%	14.4%	n/a	n/a
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Other. In addition to our performance with respect to operational metrics, during 2012, our NEOs also led our effort to secure the necessary regulatory and other approvals to continue our strategy of being able to write new business nationwide despite the negative effect of our risk-to-capital, which prior to our recent stock and debt offerings exceeded regulatory requirements in states with specific requirements for mortgage insurers. These approvals were critical because unless we were able to continue to write new business the high quality, low loss business we have written in recent years would not be able to overcome the negative effects of our prior high loss business. Indeed, two of our competitors who wrote higher quality business from mid-2008 had to stop writing new business in 2011 because of their failure to maintain such approvals.

Our compensation is reasonable when measured by reference to a peer group consisting of our direct competitors and others related to our industry

Peer group selection is a critical component of compensation analysis. The peer group we use consists of our direct competitors and others related to our industry. Our peer group, which is discussed more fully under the caption “Benchmarking” (which appears under “Other Aspects of Our Executive Compensation Program” below), is appropriate because:

- Two of the eight companies were direct competitors or parent companies whose results were significantly impacted by the results of direct competitors, and another was the parent company of a former direct competitor that stopped writing new business in 2011,
- Three of the other companies are financial guaranty insurers having significant exposure to residential mortgage credit risk,
- Four of the companies also named us as a peer, and
- We are reasonably similar in size to the companies in our peer group; FWC calculated that our average revenues for 2009-2011 were at the 43rd percentile of the average revenues of these companies.

Our CEO’s 2012 total direct compensation (salary, bonus and equity awards) was at the 35th percentile of the most recently available total direct compensation of the CEOs of these companies and was \$2.7 million below the median total direct compensation of CEOs in this group.

Our CEO’s compensation is aligned with returns to our shareholders

An important way we achieve alignment of pay and shareholder returns is by making performance-based equity awards the primary element of our CEO’s compensation. Those analyzing our compensation by reviewing only the Summary Compensation Table (“SCT”) will not see this important element of our program because the SCT reports only the grant date fair value of stock awards and does not capture subsequent changes in the value of that stock through forfeitures and price declines. As discussed more fully under the caption “How closely is executive pay aligned with stock price performance?” (which appears after this summary):

- During the last five years, our CEO forfeited restricted stock due to Company performance goals not being met and suffered declines in the value of restricted stock still owned that, using grant date values, totals \$14.4 million. In particular,

During the last five years, \$5.8 million in stock awards that were granted to our CEO and reported as compensation in the SCT in 2008-2012 had been lost at year-end 2012, due to declines in value of grants of restricted stock and due to grant forfeitures because Company performance goals were not met. These lost dollars constitute about 63% of

the compensation that the SCT reports was paid to the CEO as “Stock Awards” for the period from 2008-2012.

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Also during this period, reflecting the long-term pay-for-performance connection in our compensation programs, our CEO forfeited restricted stock grants that had been reported as compensation in the SCT for years prior to 2008, due to Company performance goals not being met. These forfeited shares had a grant date fair value totaling \$8.7 million.

- In addition, during the last five years, options with a grant date fair value of \$10.3 million that were held by our CEO expired, unexercised, due to stock price declines.

Moreover, our CEO voluntarily decided to make his financial alignment with shareholders even greater. During the five years from 2008-2012, he purchased in the open market with his own funds over \$0.9 million of our stock. He sold no shares (excluding shares surrendered to the Company to cover income tax withholding). These purchases represent the reinvestment into our stock of approximately 13% of the cash compensation shown for him in the SCT for the last five years. If 2007 stock purchases are considered, our CEO spent \$1.9 million of his own funds to purchase shares of Company stock. In total, his 2007-2012 purchases amount to 23% of the aggregate cash compensation shown for him in the SCT over the same period.

- When the loss in value of the CEO's equity grants reported in the SCT during the last five years is added to the loss in value to the shares he purchased in the open market, at year-end 2012, approximately 30% of what the SCT reports that we paid him in total compensation during the last five years had been lost.

As part of our common stock offering earlier this month, he invested another \$250,000 of his own funds in Company stock.

Summary Compensation Table Anomalies

We present below an alternative SCT for our CEO that is adjusted to exclude the effect of the pension and stock volatility anomalies that we comment on below the table. This table is not intended to be a substitute for the information presented in the Summary Compensation Table that is required by the Securities and Exchange Commission. That table is presented below in the section titled "Compensation and Related Tables – Summary Compensation Table."

Modified Summary Compensation Table – CEO (000s)

	Salary	Bonus	Stock Awards	Change in Pension Value	Other Comp	Total Modified SCT	Total SCT	Difference
2012	\$ 911	\$ 475	\$ 846	\$ 347	\$ 9	\$ 2,588	\$ 4,016	\$ (1,428)
2011	884	734	1,249	271	9	3,147	5,589	(2,442)
2010	865	1,300	2,568	426	6	5,165	4,380	785

Pension. The change in pension value represents a significant portion (34%) of our CEO's 2012 compensation reported in the SCT. We believe a pay for performance assessment should primarily evaluate 2012 pay against 2012 performance. However, approximately 75% of the increase in pension value (about \$1 million) reported in the SCT was attributable to service performed before 2012. Even if we had paid our CEO no salary or bonus in 2012, this increase in pension value would have occurred. This is primarily attributable to a decrease from 2011 to 2012 in the discount rate used to determine the present value of benefits and our CEO being one year closer to the retirement age assumed in our pension plan. In addition, the 2012 change in pension value is computed by considering the bonus we paid for performance in 2011, not 2012. The 2012 bonus was approximately 35% less than the 2011 bonus. The Modified Summary Compensation Table above reflects only the change in pension value attributable to 2012

compensation.

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Volatility of Company Stock. The high volatility of our stock price (its beta of 3.36 was the second highest in the Russell 3000 as of December 31, 2012) makes it problematic to evaluate pay for performance alignment for us by measuring stock price performance over a single period and the value of equity grants at a single point in time within that period. The date on which equity grants were made significantly affects the calculation of total compensation in the SCT and, as a result, the analysis of pay for performance alignment. For example, based on the high and low closing prices of our stock for the 12 months ended March 12, 2013, the SCT value of the CEO's 2012 equity grant would have ranged from approximately \$270,000 to approximately \$1.8 million. The Modified Summary Compensation Table above reflects the value of stock awards at the end of the year in which the grant was made instead of on the grant date. In addition, the substantial emphasis our compensation program places on long-term equity awards, combined with our stock's high volatility, makes our CEO's compensation comparatively more risky than that of his counterparts in our peer group. We believe this increased risk justifies higher pay for our CEO when compared to companies in which equity is a lower component of compensation.

II. Our 2012 Executive Compensation Program Decisions and their Role in Fulfilling our Compensation Objectives

In setting compensation, the Committee focuses on "total direct compensation," which we define as the total of base salary, bonus and equity awards. For these purposes, the amount of equity awards is the grant date value in the SCT.

Our executive compensation program is based on the following objectives.

- We want strong alignment between compensation and long-term shareholder interests by paying a substantial portion of total direct compensation in restricted stock.
- We want strong alignment between compensation and long-term shareholder interests by linking compensation to Company and executive performance.
- We want total direct compensation to reflect market practices in the sense that our total direct compensation opportunity is at the market median of a group of peers over a several year time horizon.
- We limit perquisites (perks).
- We pay retirement benefits using a formula based only on current cash compensation (salary and annual bonus) and therefore do not include longer-term incentives that can result in substantial increases in pension value.

How did the compensation we paid to our named executive officers for 2012 reflect these objectives?

- "We want strong alignment between compensation and long-term shareholder interests by paying a substantial portion of total direct compensation in restricted stock."

During the last three years, we strengthened alignment by increasing from 57% to 82% the portion of long-term equity comprised of LME Grants of restricted stock, which vest based on achievement of performance goals related to our loss ratio, market share and expense ratio. In 2010, we increased this portion of grants from 57% to 75%, and in 2011, we increased this portion of grants from 75% to the current 82%. See "Our 2012 Executive Compensation – Longer-Term Restricted Stock" for additional information about our grants of restricted stock.

The restricted stock awarded to the CEO in January 2012 had a grant date value of approximately 47% of his total direct compensation for 2012, and the restricted stock awarded in January 2011 had a grant date value of approximately 65% of the CEO's 2011 total direct compensation. On average, restricted stock awarded to our other NEOs in January 2012 was approximately 40% of their total direct compensation for 2012 and the restricted stock

awarded in January 2011 to the other NEOs was approximately 58% of their total direct compensation for 2011. The decrease from year-to-year was mainly the result of a decrease in stock price from year-to-year; the number of shares awarded remained the same.

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Those analyzing our compensation by reviewing only the Summary Compensation Table (“SCT”) will not see the alignment of CEO pay and long-term shareholder interests that has occurred due to subsequent changes in the value of equity grants as a result of forfeitures and price declines. The table below captures that information by providing our CEO’s “realizable pay” amount for 2012 and 2011. We define “realizable pay” as the sum of the following components:

- SCT value for all components of executive compensation, with the exception of equity awards;
- The value at December 31, 2012 of the outstanding equity awards granted in each year, adjusted for expected performance achievement; and
- The value of equity awards that have vested before the end 2012, valued at the date of vesting.

The difference between realizable pay and SCT pay is a result of forfeitures of equity grants and changes in stock prices, as shown below. Our CEO’s 2012 “realizable pay” was 11% lower than his 2012 SCT pay and his 2011 “realizable pay” was 35% lower than his 2011 SCT pay.

	Realizable Pay	
	2012	2011
SCT Pay	\$4,016,266	\$5,589,358
Realizable Pay	3,586,292	3,619,493
Total Loss in Pay	\$(429,974)	\$(1,969,865)
Vested Units - Decrease in Value as of Vesting Date	\$-	\$(470,559)
Expected Forfeitures Based Upon Performance Goals	(29,056)	(215,722)
Decrease in Value of Outstanding Awards by Year-End 2012	(400,918)	(1,283,584)
Total Loss in Pay	\$(429,974)	\$(1,969,865)
Percentage of SCT Pay	11	% 35 %

- “We want strong alignment between compensation and long-term shareholder interests by linking compensation to Company and executive performance.”

The Committee authorized bonuses for 2012 that were reduced from 2011 levels by 35% for our CEO and on average were reduced by 42% for our other NEOs. The 2012 bonuses were approximately 17% of the maximum possible bonus for our CEO and an average of 16% of the maximum possible bonuses for our other NEOs. Among the factors considered in approving bonuses at this reduced level were the achievements referred to in the Executive Summary; our overall financial performance in 2012; the retention considerations discussed below; and the advice of FWC that industry turmoil, our Company’s complexity, increasing competition and persistent economic uncertainty warranted taking reasonable steps to recognize and retain a seasoned, long-tenured officer corps. Neither the Committee nor the Board assigned a specific weight to any one of these factors.

- “We want total direct compensation to reflect market practices in the sense that our total direct compensation opportunity is at the market median over a several year time horizon.”

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The total direct compensation opportunities of our NEOs range from base salary with no other components of total direct compensation being paid, to base salary plus maximum bonus and maximum longer-term incentives being paid. Through benchmarking, we want the total direct compensation of our NEOs to be at about the middle of the peer group we use to evaluate our executive compensation when viewed over a several year time horizon. For 2010 through 2012, our CEO's total direct compensation was ranked in the following percentile within our peer group. (For 2012, our CEO's total direct compensation is ranked against the most recently available total direct compensation of the CEOs of the companies in our peer group.)

	CEO Total Direct Compensation Ranking Within Peer Group		
	2010	2011	2012
Our CEO's Percentile Ranking Within Peer Group	52nd	46th	35th

Further information about the peer group we use is under "Benchmarking" in this CD&A.

- "We limit perquisites (perks)."

Our perks remained minimal in 2012 and are discussed under "Our 2012 Executive Compensation – Perquisites" below.

- "We pay retirement benefits using a formula based only on current cash compensation (salary and annual bonus) and therefore do not include longer-term incentives that can result in substantial increases in pension value."

Our retirement benefits met this objective in 2012 and are discussed under "Pension Plan" below. Those analyzing our compensation should consider the source of the change in pension value. As noted above in the Executive Summary under "Summary Compensation Table Anomalies – Pension," even if we had paid our CEO no salary or bonus for 2012, 75% of the increase in pension value (about \$1 million) would have occurred. This is primarily attributable to a decrease from 2011 to 2012 in the discount rate used to determine the present value of the benefits and our CEO being one year closer to the retirement age assumed in our pension plan.

Retention considerations affected the Committee's decisions regarding the compensation we paid to our named executive officers for 2012

Our industry is undergoing a fundamental shift following the mortgage crisis: long-standing competitors have gone out of business and two newly capitalized, privately-held start-ups that are not encumbered with a portfolio of pre-crisis mortgages have been formed. Former executives from other mortgage insurers have joined these two new competitors. In addition, in February 2013, a worldwide insurer and reinsurer with mortgage insurance operations in Europe announced that it was purchasing a competitor. Our success depends, in part, on the skills, working relationships and continued services of our management team and other key personnel. We believe the performance of the CEO and other senior officers was critical to our ability to raise \$1.15 billion of new capital in March 2013. The loss of key personnel, whether to competitors or retirement, could adversely affect the conduct of our business. If we were to lose our key personnel, we would be required to search for and recruit other personnel to manage and operate the Company, and there can be no assurance that we would be able to employ a suitable replacement for the departing individuals, or that a replacement could be hired on terms that are favorable to us. The Company currently has not entered into any employment agreements with our officers or key personnel.

How closely is executive pay aligned with stock price performance?

Excluding shares surrendered to the Company to cover income tax withholding, our CEO has not sold any shares of our stock for more than seven years. Excluding shares surrendered for that purpose, none of our other NEOs has sold any of our stock since April 2006, except for the sale of fewer than three shares by one officer in 2011 to close out his

Profit-Sharing and Savings Plan stock account.

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The total compensation disclosed in the SCT includes amounts for restricted stock valued at a point in time (the grant date). The actual amounts realized by our NEOs for those restricted stock units have been materially different. Our NEOs' compensation has been materially affected by the changes in the value of our Common Stock. Almost \$5.8 million of our CEO's compensation as reported in the SCT for the last five years has, by year-end 2012, been lost due to declines in the value of grants of restricted stock and grant forfeitures. Over the same period, our other NEOs as a group lost \$10.0 million of their reported compensation for the same reasons. (These amounts would be lower if stock prices on most trading days in 2013 through March 15, when we finalized our CD&A, had been used.) More information about these value declines and forfeitures is in the table below.

Decline in Stock Compensation Reported in SCT 2008 - 2012			
	Value Reported in SCT 2008 - 2012	Value at December 31, 2012	Lost Value
Curt Culver	\$ 9,196,799	\$ 3,440,995	\$ 5,755,804
J. Michael Lauer	3,103,923	1,161,335	1,942,588
Patrick Sinks	5,748,005	2,150,623	3,597,382
Lawrence Pierzchalski	3,103,923	1,161,335	1,942,588
Jeffrey Lane	3,944,923	1,427,335	2,517,588

In addition to the value reported in the SCT for 2008-2012 that at December 31, 2012 had been lost, during the last five years our CEO forfeited restricted stock granted prior to 2008 due to Company performance goals not being met, and because of stock price declines, options granted to him prior to 2008 were not exercised and expired. The equity relating to these forfeitures and expirations had in earlier years either been reported in the SCT or in another proxy statement compensation table. Using grant date values (which for options were determined by the Black Scholes option pricing model), the total value of CEO equity awards that were forfeited or expired is \$19.0 million. During the last five years, our other NEOs similarly experienced forfeitures and expirations of restricted stock and options that had grant date values of almost \$24.0 million. More information about these forfeitures and expirations is in the table below.

Restricted Stock Forfeitures and Option Expirations January 2008 – January 2013			
	Equity	Options	Total
Curt Culver	\$ 8,688,830	\$ 10,314,560	\$ 19,003,390
J. Michael Lauer	2,932,607	3,442,200	6,374,807
Patrick Sinks	5,030,256	866,288	5,896,544
Lawrence Pierzchalski	2,932,607	3,442,200	6,374,807
Jeffrey Lane	2,932,607	2,166,938	5,099,545

III. Our 2012 Executive Compensation Program

Longer-Term Restricted Stock

Our executive compensation program is designed to make grants of restricted stock the largest portion of the total direct compensation opportunity of our NEOs. We emphasize this component of our executive compensation program because, as demonstrated by the information above, it aligns executives' interests with those of shareholders by linking compensation to stock price. In 2012, grants of restricted stock, at the grant date value, represented, on average, approximately 43% of our NEOs' total direct compensation.

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As discussed below, we changed the performance goals for longer-term restricted stock beginning in 2008. The new goals were included in a list of goals for restricted stock awards approved by shareholders at our 2008 Annual Meeting and were again approved by shareholders at our 2011 Annual Meeting in connection with approval of our 2011 Omnibus Incentive Plan.

LME Grants of Performance-based Restricted Stock. Beginning with restricted stock awarded in 2008, the corporate performance goals used to determine annual vesting of performance-based restricted stock are:

- MGIC's Loss Ratio (incurred losses divided by earned premiums) for MGIC's primary new insurance written for that year;
- MGIC's Market Share of flow new insurance written for that year, and
- Expense Ratio (expenses of insurance operations divided by net premiums written for that year).

The Committee adopted these performance goals, which apply to each year in the three-year performance period, because it believes that they are the building blocks of our results of operations. That is, the Loss Ratio measures the quality of the business we write; Market Share measures not only our success at generating revenues but also the extent to which we are successful in leading our industry; and the Expense Ratio measures how efficiently we use our resources.

The three performance goals are equally weighted for vesting purposes. The actual performance level corresponding to each performance goal determines Threshold, Target and Maximum vesting as indicated in the table below for the 2012 Grants of Plan-Based Awards.

Performance Goals for 2012 LME Grants						
	Threshold		Target		Maximum	
Loss Ratio	65	%	40	%	30	%
Market Share	16	%	20	%	24	%
Expense Ratio	24	%	19	%	16	%

Vesting for awards granted in 2012 is determined in February/March 2013 and the next two anniversaries based on performance during the prior year. For each performance goal, the amount that vests each year is as follows:

- if the Company's performance does not meet or equal the Threshold performance level, then no equity will vest with respect to that performance goal;
- if the Company's performance meets the Target performance level, then two-twenty-sevenths of the total grant will vest with respect to that performance goal;
- if the Company's performance equals or exceeds the Maximum performance level, then one-ninth of the total grant will vest with respect to that performance goal; and
- if the Company's performance is between the Maximum and the Target performance levels or between the Target and the Threshold performance levels, then the number of shares that will vest with respect to that performance goal will be interpolated on a linear basis between the applicable vesting levels.

For awards granted in 2008 through 2010, achievement of the Target performance level in each year results in 100% vesting of the award at the end of the third year, with the portion of the award granted that may vest in each year

ranging from zero (if performance in a year does not meet the Threshold performance level for any of the performance goals) to 50% of the number of shares awarded (if performance meets the Maximum performance level for each performance goal). However, the total amount of these awards that vest cannot exceed 100%. Any portion of the award that remains unvested after three years is forfeited.

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For awards granted beginning in January 2011, the Committee increased the number of performance-based restricted stock units granted and adjusted the vesting schedule from the prior year grants in order to address the conclusion of a December 2010 benchmarking study by the Committee's compensation consultant (see "Other Aspects of Our Executive Compensation Program – Benchmarking" below) that the Company's use of long-term incentive grants was well below the market median. The combined effect of the changes is such that if the Company achieves the Target performance level, the number of shares actually received by the NEOs upon vesting will be the same as they would have received had the number of units granted and the vesting schedule not changed. However, if the Company performance exceeds the Target performance level, the number of shares actually received by the NEOs upon vesting will be more than they would have received had the number of units granted and the vesting schedule not changed, up to 50% more if the Company achieves the Maximum performance level.

For awards granted in 2013, the Committee made only modest changes to the number of shares subject to performance-based restricted stock that were granted and the vesting schedule of those awards, notwithstanding a substantial decrease in the Company's stock price between the time of the January 2012 awards and the January 2013 awards.

With respect to all of these awards, dividends are not paid currently, but when shares vest, a payment is made equal to the dividends that would have been paid had those vested shares been entitled to receive current dividends. In October 2008, we suspended the payment of dividends on our common stock and do not anticipate paying dividends for the foreseeable future.

For 2012, the Loss Ratio (which for this purpose does not include a component that is included in our incurred loss ratio discussed above) for MGIC's primary new insurance written for that year was 1.1% (which was better than the Maximum performance level), the Expense Ratio was 15.2% (which was better than the Maximum performance level) and Market Share was 18.4% (which was between the Threshold and Target performance levels). As a result, in February 2013, 26.7% of the performance-based restricted stock awards granted in 2012 vested, 26.3% of the performance-based restricted stock awards granted in 2011 vested and the remaining 6.3% of the performance-based restricted stock awards granted in 2010 vested.

CR Grants of Other Restricted Stock. Since 2006, our longer-term restricted stock program for the NEOs also has included other restricted stock that, if an annual performance goal is satisfied, except as discussed in "General" below, vests through continued service during the performance period. For restricted stock awards granted in 2008 through 2012, vesting of these awards is contingent on the sum of the Expense Ratio and the Loss Ratio for MGIC's primary new insurance written for that year being less than 100% (the "combined ratio performance goal"). For restricted stock awards granted in 2013, the combined ratio performance goal has been made more rigorous by reducing it to 50%. The Committee adopted performance goals for these awards to further align the interests of our NEOs with shareholders and to permit the awards to qualify for the performance-based compensation exception under Section 162(m) of the Internal Revenue Code. See "Other Aspects of Our Executive Compensation Program – Tax Deductibility Limit" in this CD&A. One-third of the other restricted stock is scheduled to vest in each of the three years after it is granted. However, if any of the other restricted stock that is scheduled to vest in any year does not vest because we fail to meet the applicable performance goal, this equity will vest in the next year that we meet this goal, except that any of this restricted stock that has not vested after five years will be forfeited. Any dividends paid on our common stock will be paid on this restricted stock at the same time.

For 2012, the Expense Ratio was 15.2% and the Loss Ratio for MGIC's primary new insurance written for that year was 1.1%. Therefore, we met our combined ratio performance goal because the combined ratio was 16.3%, which is less than 100%. As a result, the portions of the restricted stock that were granted in 2010 through 2012 subject to the combined ratio performance goal and that were scheduled to vest in February 2013 did vest.

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For purposes of calculating the Loss Ratio for both LME Grants and CR Grants, the incurred losses do not include the effect of losses incurred on notices of default that have not yet been reported to us (commonly known as “IBNR”).

Prior Years’ Grants of Restricted Stock. Certain longer-term restricted stock awards granted before 2008 were scheduled to vest in installments over a five-year period based on the Company’s earnings per share (“EPS”). Vesting for these awards was determined in January based on EPS for the prior year. Because our EPS was negative in 2007 through 2011, no EPS-vested awards that were granted in 2004 (when we first made restricted stock awards) through 2007 vested after 2007. The performance period for awards made in 2004 – 2007 is over. These awards can no longer vest and the unvested portions of these awards have been forfeited, the last forfeiture occurring in February 2012 on account of our 2011 net loss.

Vesting of certain other restricted stock awards granted in 2006 and 2007 was contingent on our meeting a Return on Equity (“ROE”) goal of 1%. The 2006 and 2007 awards of other restricted stock had a five-year performance period beginning with the year of grant and vested in 20% increments if the ROE goal for the year was met. Twenty percent of the 2006 award vested in 2007 on account of 2006 earnings and the remaining 80% of this award has been forfeited. No part of the 2007 grant vested; 100% has been forfeited, with the last forfeiture occurring in February 2012 on account of our 2011 net loss.

Annual Bonus

Consistent with our belief that there should be a strong link between compensation and performance, annual bonuses are the most significant total direct compensation opportunity after awards of longer-term restricted stock. This is because all of our NEOs have maximum bonus potentials that substantially exceed their base salaries (three times base salary in the case of the CEO and two and one-quarter times base salary in the case of the other NEOs). In determining total direct compensation, we have weighted bonus potentials more heavily than base salaries because bonuses are more directly linked to Company and individual performance.

Our shareholders have approved a list of performance goals for an annual bonus plan for our NEOs that condition the payment of bonuses on meeting one or more of the listed goals as selected by the Committee each year. Compensation paid under a bonus plan of this type (which we refer to as a “162(m) bonus plan”) is intended to qualify as deductible compensation, as discussed in more detail under “Other Aspects of Our Executive Compensation Program – Tax Deductibility Limit” in this CD&A. The performance goal for our 162(m) bonus plan adopted by the Committee for 2012 was the same combined ratio performance goal utilized for the restricted stock awards described above, which required the sum of the Expense Ratio and the Loss Ratio for MGIC’s primary new insurance written for that year to be less than 100%. If this goal is met, then the Committee may exercise discretion to make a subjective determination of bonuses based on an assessment of shareholder value, return on investment, primary business drivers (loss ratio, expense ratio and market share), loss mitigation, management organization, capital position, effective dealings with federal and state regulatory agencies and the profitability of our mix of new business. No specific targets or weightings were established for any of these bonus criteria for 2012.

The sum of the Expense Ratio and the Loss Ratio for MGIC’s primary new insurance written for 2012 was 16.3% and, as a result, the combined ratio performance goal was met. We paid bonuses for 2012 that were about 16% of the maximum for the NEO group, as a whole, and 17% for the CEO.

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The following table illustrates that the exercise of discretion with respect to the CEO's bonus for the past five years has resulted in its fluctuation with performance:

Actual Bonus as a % of Maximum Bonus Potential				
2012	2011	2010	2009	2008
17%	28%	50%	0%	0%

The factors considered in the decision to pay bonuses for 2012 performance are discussed above under "Objectives of our Executive Compensation Program – How did the compensation we paid to our NEOs for 2012 reflect these objectives? – We want strong alignment between compensation and long-term shareholder interests by linking compensation to Company and executive performance."

Base Salary

Base salaries provide NEOs with a fixed, minimum level of cash compensation. Our philosophy is to target base salary range midpoints for our executive officers near the median levels compared to their counterparts at the peer group of companies discussed below under "Benchmarking. In addition to reviewing market competitiveness, in considering any change to Mr. Culver's compensation, including his salary, the Committee takes into account its subjective evaluation of Mr. Culver's performance, based in part on a CEO evaluation survey completed by each non-management director. The subjects covered by the evaluation include financial results, leadership, strategic planning, succession planning, external relationships and communications and relations with the Board. Base salary changes for our other NEOs are recommended to the Committee by Mr. Culver. Historically, these recommendations have been the product of his subjective evaluation of each executive officer's performance, including his perception of their contributions to the Company. The Committee approves changes in salaries for these officers after taking into account Mr. Culver's recommendations and the Committee's independent judgment regarding the officer gained through the Committee's and the Board's regular contact with each of them.

Effective in late March 2012, each of the NEOs received a 3% salary increase, based on their base salary prior to the increase. Effective in late March 2013, each NEO is receiving a 3% salary increase, based on their base salary prior to the increase.

Pension Plan

Our executive compensation program includes a qualified pension plan and a supplemental executive retirement plan. We believe retirement plans of this type are an important element of a competitive compensation program. These plans compute retirement benefits based only on current cash compensation (salary and annual bonus) and therefore do not include longer-term incentives that can result in substantial increases in pension value. We also offer a broad-based 401(k) plan to which we make contributions in cash.

Perquisites

As with prior years, the perks we provided for 2012 to our NEOs were a small part of the officer's total compensation, ranging between approximately \$700 and \$4,400. These perks included club dues and expenses, the cost of an annual or bi-annual medical examination and a covered parking space at our headquarters. We believe our perks are very modest and consistent with our desire to avoid an entitlement mentality.

IV. Other Aspects of Our Executive Compensation Program

Benchmarking

To provide a framework for evaluating compensation levels for our NEOs against market practices, the Committee has periodically asked its independent compensation consultant, FWC, to prepare reports analyzing available compensation data. This data is typically gathered from SEC filings for a comparison group of publicly traded companies. The reports provided during 2012 and in early 2013 are discussed below. In addition, each year we review various published compensation surveys and provide the Committee with information regarding trends in expected executive compensation changes for the coming year. The compensation surveys that we reviewed and summarized in the aggregate for the Committee in connection with establishing compensation for 2012 were published by: Compensation Resources, KENEXA, AON Hewitt, Mercer Consulting, Towers Watson and World at Work.

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In January 2012, in connection with the meeting at which 2012 compensation decisions regarding salary and long-term incentives were made, FWC provided the Committee with a report on the components of our executive compensation program that was based on 2010 compensation information from proxy statement filings and was, at the time, the latest available data for the comparison group. The January 2012 report analyzed our compensation program against the following comparison group:

MGIC Peer Group
Ambac Financial Group
Assured Guaranty
Fidelity National Financial
First American Financial
Genworth Financial
MBIA
Old Republic International
PMI Group (removed from peer group in 2012)
Radian Group

The comparison companies were jointly selected by FWC and management, and approved by the Committee. The companies in our comparison group include all of our direct competitors that are public and whose mortgage insurance operations are a significant part of their overall business, financial guaranty insurers and other financial services companies focused on the residential real estate industry that are believed to be potential competitors for executive talent. PMI Group was removed from our peer group in 2012 because its mortgage insurance subsidiary ceased writing new business and the parent company filed for bankruptcy protection.

The 2010 compensation data in the January 2012 report indicated that our CEO's total direct compensation was 7.5% below the median of the peer group, including PMI, and 3.2% above the median of the peer group, excluding PMI. It also showed the CEO's SCT total compensation was only slightly (approximately 5.3%) above the peer group median including PMI and 16.3% above the median of the peer group excluding PMI. (In addition to what is included in total direct compensation, SCT total compensation includes change in pension and non-qualified deferred compensation value plus all other compensation, which other compensation for us is de minimis.)

Our industry is undergoing a major restructuring following the mortgage crisis. Three of our competitors have ceased writing new business (two in 2011) and the parent company of another received a substantial amount of government assistance. As noted above, PMI was removed from our peer group in 2012. PMI was smaller than us and as a result of its removal from our peer group, we are smaller relative to our peers than before. For many years our industry had no new entrants. In 2010, a new mortgage insurer began writing business; and in 2012, another mortgage insurer raised over \$500 million in capital and we understand expects to begin writing business later this year. Those two competitors have yet to go public, therefore, their data is not yet available to include in our peer group. In addition, in February 2013, a worldwide insurer and reinsurer with mortgage insurance operations in Europe announced that it was purchasing a competitor. As a result, and giving effect to such purchase as if it was creating a new entrant, only half of the companies that were writing business before the onset of the mortgage crisis are currently writing new business and three new companies have entered the industry.

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Because of the changes in our industry and peer group noted above, FWC provided additional analysis to the Committee in July and October 2012, and in January 2013, in order to assist the Committee in considering various alternatives to the existing peer group. Although our industry is in a state of flux, the Committee continues to believe that our NEOs' compensation should be analyzed in the context of the compensation of mortgage insurers and others related to our industry, which we believe we capture in our existing peer group. Therefore, the Committee, after considering the advice received from FWC, has chosen to retain our existing peer group for now (after the removal of PMI Group). It continues to be appropriate for evaluating our executive compensation because:

- Two of the eight companies were direct competitors or parent companies whose results were significantly impacted by the results of direct competitors, and another was the parent company of a former direct competitor that stopped writing new business in 2011,
- Three of the other companies are financial guaranty insurers having significant exposure to residential mortgage credit risk,
- All of the companies have significant insurance businesses, not lending businesses, and therefore, size comparisons are possible,
- Four of the companies have also named us a peer,
- Our revenues for 2009-2011 were at the 43rd percentile (excluding PMI),
- Adding general insurance or other financial services companies beyond the surety and financial guaranty niches is not expected to provide meaningful information to the Committee in evaluating executive compensation pay and performance, and
- Our peer group is unchanged from the peer group we used in 2011 and 2010, other than for the removal of PMI. We review the peer group at least annually but do not reconfigure it from year to year to achieve specific results.

Consideration of 2012 Shareholder Advisory Vote on Executive Compensation

The most recent shareholder advisory vote on executive compensation was at our Annual Meeting of Shareholders in April 2012. More than 90% of the shares voting at that meeting voted to approve our executive compensation. In making the January 2013 compensation decisions (which were the approval of bonuses for 2012 performance, approval of base salary increases to be effective in 2013 and the grant of restricted stock awards), the Committee viewed this vote as a general approval of the objectives of our executive compensation program described in this CD&A (those objectives remained unchanged from what had been presented to shareholders) and an affirmation that our program should be continued.

Tax Deductibility Limit

Under Section 162(m) of the Internal Revenue Code, certain compensation in excess of \$1 million paid during a year to any of the executive officers named in the SCT (other than the CFO) for that year is not deductible. Although the rules governing these requirements are complex, we believe that all of our compensation for 2012 qualifies as tax-deductible. However, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations, and the fact that such regulations and interpretations may change from time to time (with potentially retroactive effect), there is no certainty that compensation intended by the Committee to satisfy the requirements for deductibility under Section 162(m) will be deductible. In addition, the Committee has discretionary authority to administer our compensation programs in the future in a manner that does not satisfy the requirements of

Section 162(m) of the Internal Revenue Code in order to achieve a result that the Committee determines to be appropriate.

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In making decisions about executive compensation, we also consider the impact of other regulatory provisions, including the provisions of Section 409A of the Internal Revenue Code regarding non-qualified deferred compensation and the change-in-control provisions of Section 280G of the Internal Revenue Code.

Stock Ownership by Officers

Beginning with awards of restricted stock made in January 2007, a portion of restricted stock awarded to our NEOs and other officers subject to Form 4 reporting, such as our chief accounting officer and chief information officer, must not be sold for one year after vesting. Shares received upon exercise of our last grant of stock options (in January 2004) also must not be sold for one year after exercise. The number of shares that must not be sold is the lower of 25% of the shares that vested (or in the case of options, 25% of the shares for which the options were exercised) and 50% of the shares that were received by the officer after taking account of shares withheld to cover taxes. The holding period may end before one year if the officer is no longer required to report their equity transactions to the SEC. The holding period does not apply to involuntary transactions, such as would occur in a merger, and for certain other dispositions.

We also have stock ownership guidelines for executive officers. For our CEO, the stock ownership guideline is 100,000 shares and, for the other NEOs, the guideline is 50,000 shares. Stock considered owned consists of shares owned outright by the executive (including shares in the executive's account in our 401(k) plan), unvested restricted stock and RSUs scheduled to vest within one year (assuming ratable vesting over the performance period of longer-term restricted stock) and the number of shares underlying vested stock options whose market price exceeds their exercise price. Each of our NEOs currently meets these stock ownership guidelines. In fact, at December 31, 2012, our CEO exceeded the guideline by approximately 1.1 million shares and the other NEOs exceeded the guidelines by between 237,000 shares and 628,000 shares, depending on the individual. Our stock ownership guidelines, previously based on the value of the stock held, were changed in 2010 reflecting the decrease in our share price.

Change in Control Provisions

Each of our NEOs is a party to a Key Executive Employment and Severance Agreement with us (a "KEESA") and some have supplemental agreements, each as described in the section titled "Potential Payments Upon Termination or Change-in-Control – Change in Control Agreements" below. No executive officer has an employment or severance agreement, other than these agreements. Our KEESAs provide for a cash termination payment in one or two lump sums only after both a change in control and a specified employment termination (a "double trigger" agreement). We adopted this approach, rather than providing for such payment only after a change in control (a "single trigger" agreement) or a change in control and a voluntary employment termination by the executive (a "modified single trigger" agreement), because we believe that double trigger agreements provide executives with adequate employment protection and reduce the potential costs associated with these agreements to an acquirer.

The KEESAs and our equity award agreements provide that all restricted stock and unvested stock options become fully vested at the date of a change in control. Once vested, a holder of an award is entitled to retain it even if he voluntarily leaves employment (although a vested stock option may expire because of employment termination as soon as 30 days after employment ends). In 2008, we amended our KEESAs for the principal purpose of complying with Section 409A of the Internal Revenue Code. In 2009, we eliminated any reimbursement of our NEOs for any additional tax due as a result of the failure of the KEESAs to comply with Section 409A.

The period for which our KEESAs provide employment protection ends on the earlier of the third anniversary of the date of a change in control or the date on which the executive attained his or her normal retirement date. In 2010, we created a supplemental benefit plan that provides benefits to compensate for the benefits that are reduced or eliminated

by the age-based limitation under our KEESAs. This plan was adopted because the Committee wanted to provide such benefits for those who would, absent this age-based limitation, receive benefits under his or her KEESA. The Committee believes that age should not reduce or eliminate benefits under a KEESA, but recognized that our employees may retire with a full pension at age 62 provided they have been a pension plan participant for at least seven years. Taking the early availability of full pension benefits into account, the payments under this plan are capped by reducing such payments to an amount that will not trigger payment of federal excise taxes on such payments. As a result, unlike our KEESAs, this plan does not include an Internal Revenue Code Sections 280G and 4999 excise tax gross-up provision. Our KEESAs were not amended in connection with the adoption of this plan.

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For additional information about our KEESAs, see “Compensation and Related Tables — Potential Payments Upon Termination or Change-in-Control — Change in Control Agreements” below.

No Stock Option Repricing

Our 2002 Stock Incentive Plan, which governs equity awards granted before 2012, and our 2011 Omnibus Incentive Plan, which governs equity awards granted after 2011, both prohibit the repricing of stock options, either by amending existing options to lower the exercise price or by granting new options having a lower exercise price in exchange for outstanding options having a higher exercise price, unless such re-pricing is approved by shareholders.

“Clawback” Policy

Under the “clawback” policy approved by the Committee, the Company will seek to recover certain incentive compensation, to the extent the Committee deems appropriate, from any executive officer and the chief accounting officer, if a subsequent financial restatement shows that such compensation should not have been paid. The clawback policy applies to restricted stock that vests upon the achievement of a Company performance target. As an alternative to seeking recovery, the Committee may require the forfeiture of future compensation. Beginning in January 2007, our restricted stock agreements require that, to the extent the Committee deems appropriate, our executive officers must repay the difference between the amount of after-tax income that was originally recognized from restricted stock that vested based on achievement of a performance goal and the amount that would have been recognized had the restatement been in effect, plus the value of any tax deduction on account of the repayment.

Hedging Policy

Under the hedging policy approved by our Board of Directors, our directors, NEOs and other officers subject to Form 4 reporting, such as our chief accounting officer and chief information officer, may not enter into hedging transactions designed to hedge or offset a decrease in the value of the Company’s equity securities. For these purposes, the Company’s equity securities include, but are not limited to, vested and unvested restricted stock units (whether cash- or stock-settled) and company stock held directly or indirectly.

Independent Compensation Consultant

Aside from its role as the Committee’s independent consultant, FWC provides no other services to the Company. In 2012, FWC provided the Committee with advice about proxy disclosures, including with respect to this CD&A, incentive plan designs, director pay, benchmarking study results, as discussed above, and whether the payment of bonuses for 2012 would be reasonable. Fees incurred for services performed by FWC in 2012 were \$114,632.

Other Aspects of Our Compensation Processes

When designing our compensation objectives and policies for our NEOs, the Committee considers the incentives that such objectives and policies create, including incentives to cause the Company to undertake appropriate risks. Among other things, the Committee considers aspects of our compensation policies that mitigate incentives to take inappropriate risks, such as the holding requirements described under “Other Aspects of Our Executive Compensation Program – Stock Ownership by Officers” above and the clawback policy described above.

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The Committee has not adjusted executive officers' future compensation based upon amounts realized or forfeited pursuant to previous equity awards.

The Committee's practice for many years has been to make equity awards and approve new salaries and bonuses, if any, at its meeting in late January, which normally follows our announcement of earnings for the prior year. The Committee also may approve changes in compensation at other times throughout the year.

While the Committee is ultimately responsible for making all compensation decisions affecting our NEOs, our CEO participates in the underlying process because of his close day-to-day association with the other NEOs and his knowledge of our operations. Among other things, our CEO makes recommendations regarding all of the components of compensation described above for all of the NEOs, other than himself. Our CEO does not participate in the portion of the Committee meeting regarding the review of his own performance or the determination of the actual amounts of his compensation. Our Vice President-Human Resources and our General Counsel also participate in the Committee's compensation process. Specifically, our Vice President-Human Resources is responsible for coordinating the work assigned to FWC by the Committee. Our Vice President-Human Resources is expected to maintain knowledge of executive compensation trends, practices, rules and regulations and works with our General Counsel on related legal and tax compliance matters.

Appendix

This portion of the CD&A is the Appendix that provides additional information about the discussion in the Executive Summary that is not provided elsewhere in the CD&A. We make various statements in the Executive Summary and this Appendix that do not explicitly say they are our opinions, but you should read them as such. The Executive Summary discusses only the compensation of our CEO because his compensation sets the "compensation pace" for the rest of the NEOs. The compensation programs for our CEO are generally no different than those for all of our NEOs, as discussed in the CD&A, although the amount of compensation depends on what level the particular officer occupies in our organizational hierarchy. The additional information in the Appendix corresponds to the order of the discussion in the Executive Summary.

2012 Performance Based on Operational Metrics

Loss Ratio. The loss ratio is a customary measure of the quality of an insurer's business. It is losses incurred divided by earned premiums for MGIC's primary new insurance written, in both cases over the period of the ratio. A year of seasoning includes the year in which the book was written; that is, the first year of seasoning for the book written in 2007 was 2007.

The percentage of MGIC loans that are delinquent is as of December 31, 2012 and represents loans that are at least 45 days past due (and would include those whose borrowers are in foreclosure or bankruptcy). The source of the percentage of FHA loans that are delinquent is the U.S. Department of Housing and Urban Development's Annual Report to Congress – Fiscal Year 2012 Financial Status – FHA Mutual Mortgage Insurance Fund dated November 16, 2012. The FHA's fiscal year ends September 30. The percentage of FHA loans that are delinquent represents loans that are "seriously delinquent," which the FHA defines as loans that are 90 days or more delinquent or in foreclosure or bankruptcy.

Market Share. The source of the market share information is Inside Mortgage Finance.

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Net earned premium yield is the cumulative net earned premium for a book of business divided by the new insurance written amount for that book of business.

Expense Ratio. The expense ratio is the combined insurance operations underwriting expenses divided by the net premiums written.

The information about the expense ratios of our peers was obtained from earnings press releases and Securities and Exchange Commission filings. The information represents U.S. mortgage insurance segment information only. Methods of calculating these ratios may differ among companies. PMI and Republic Mortgage Insurance Co. ceased writing new mortgage insurance in 2011, therefore, we have not included their expense ratios for 2011 or 2012.

Other. Additional information about the approvals from Fannie Mae, Freddie Mac and our primary insurance regulator may be found under the caption “Capital requirements may prevent us from continuing to write new insurance on an uninterrupted basis” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012.

The two companies that have stopped writing new business are PMI Mortgage Insurance and Republic Mortgage Insurance.

Our compensation is reasonable when measured by reference to a peer group consisting of our direct competitors and others related to our industry

We cite 2009-2011 revenues because, with the exception of the bonus for 2012 performance, all compensation decisions for 2012 were made in January 2012. At that time, only revenues from 2011 and earlier were available.

When the Committee made its last compensation decisions regarding 2012 compensation, the 2011 total direct compensation of the CEOs of the companies in our peer group was the latest available.

The table below shows the average revenues for 2009-2011 for us and each of the eight companies that we use in our peer group benchmarking analysis. All revenue percentiles in the Executive Summary and this Appendix are the output of the “Percentile” formula in Microsoft’s Excel software.

	2009-2011 Average Revenues	Total Direct Compensation (1) (millions)
Ambac Financial Group	\$ 1,543.4	\$ 1,300.0
Assured Guaranty	1,344.8	8,616.0
Fidelity National Financial	5,258.1	8,423.6
First American Financial	3,924.7	4,019.5
Genworth Financial Inc.	9,808.0	6,615.1
MBIA Inc.	441.2	500.0
Old Republic Int’l Corp.	4,183.8	1,410.8
Radian Group Inc.	1,209.7	8,522.4
MGIC	1,559.5	2,642.2
MGIC Percentile Ranking	43%	35%

(1)

2012 data for MGIC; 2011 data for all other companies

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The Committee's compensation consultant, FWC (see "Benchmarking" above), simulated a peer group based on companies within the same eight digit GICS code as us and companies we had chosen as peers. Companies in our GICS code were selected if they had total assets between 0.4 and 2.5 times our assets (as of September 30, 2012). Companies in the property and casualty GICS code were selected if they had revenues (for the twelve months ended September 30, 2012) between 0.4 and 2.5 times our revenues. In each case, the companies had market capitalizations of between \$50 million and \$4 billion (as of December 1, 2012). Because we are within the GICS Thrifts and Mortgage Finance Companies sub-classification, the particular peer group that resulted from FWC's simulation is primarily from this sub-classification. The 22 companies in the peer group include 14 community banks and 2 regional banks.

Our compensation practices should not be benchmarked against a peer group primarily selected by a Standard & Poors' Global Industry Classification Standard (GICS) in combination with a balance sheet test. The Committee, with the advice of its independent consultant, determined a GICS-related peer group is not appropriate for us because:

- Mortgage insurance does not have its own GICS code. Nearly all of the companies in our GICS code are lending institutions, not insurers.
- Using our GICS code as the initial criterion to select peers may result in comparing us primarily with a group of community banks. Our business is very different from community banking, which involves gathering consumer deposits through a local retail branch network and investing those funds to profit from an interest rate spread.
 - Even if our GICS code were used, for our business, revenues are a better metric for selection of a peer group than balance sheet assets. Unlike a community bank whose revenues are largely a function of assets on its balance sheet, our revenues are largely a function of our insurance in force, which is not on our balance sheet. Our revenues for the twelve months ended September 30, 2012, were in the 93rd percentile of a group of peers, predominantly community banks, which would result from selecting "peers" primarily from companies with our GICS code and a similar amount of balance sheet assets.

Our CEO's compensation is aligned with returns to our shareholders

The last five years throughout the CD&A are 2008 – 2012, as reported in the SCT for those years.

Effective with the proxy statement for our 2010 Annual Meeting, the SEC changed the rules on how equity grants were to be reported in the SCT to provide that the entire grant date fair value on the grant date was to be reported. The SCT in that proxy statement showed 2008 compensation on that new basis. Our approximation that 63% in value was lost was computed using the compensation figures for 2008 in that proxy statement.

The performance goals for the restricted stock granted before 2008 that was forfeited in 2008-2012 were based on earnings per share and return on equity.

We have not granted options since 2004 and the compensation tables that reported these options were in proxy statements issued before 2006. The reference to the last five years includes options that expired in January 2013.

During 2008-2012, our CEO had \$2.1 million in shares withheld from vestings of restricted stock on account of income tax withholding, net of withholding amounts that he paid in cash. The dollar figures for shares withheld in this calculation are determined by the closing price on the vesting date. The 23% cash compensation percentage is computed using the amount of cash compensation included in the SCT during the last five years. Cash compensation consists of base salary and bonus.

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Summary Compensation Table Anomalies

Volatility of Company Stock. Our beta of 3.36 represents the one year daily “raw beta” for the period December 31, 2011 through December 31, 2012, from the Bloomberg database.

Compensation Committee Report

Among its other duties, the Management Development, Nominating and Governance Committee assists the oversight by the Board of Directors of MGIC Investment Corporation’s executive compensation program, including approving corporate goals relating to compensation for the CEO and senior officers, evaluating the performance of the CEO and determining the CEO’s annual compensation and approving compensation for MGIC Investment Corporation’s other senior executives.

The Committee reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based upon this review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in MGIC Investment Corporation’s proxy statement for its 2013 Annual Meeting of Shareholders and its Annual Report on Form 10-K for the year ending December 31, 2012.

Members of the Management Development, Nominating and Governance Committee:

Kenneth M. Jastrow, II, Chairman
Thomas M. Hagerty
Leslie M. Muma
Donald T. Nicolaisen

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COMPENSATION AND RELATED TABLES

Summary Compensation Table

The following table summarizes the compensation earned by or paid to our named executive officers in 2010 through 2012. Following the table is a summary of our annual bonus program. Other tables that follow provide more detail about the specific types of compensation.

Name and Principal Position	Year	Salary \$	Bonus \$	Stock Awards \$(1)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation \$	Total Compensation \$
					Earnings \$(2)		
Curt Culver	2012	910,539	475,000	1,256,670	1,365,107	8,950	4,016,266
Chairman and Chief	2011	884,231	734,300	2,994,449	967,428	8,950	5,589,358
Executive Officer	2010	865,000	1,300,000	1,663,200	545,645	6,500	4,380,345
J. Michael Lauer	2012	480,846	225,000	424,127	314,666	8,950	1,453,589
Executive Vice President	2011	466,839	357,500	1,010,629	235,238	8,950	2,079,156
and Chief Financial Officer	2010	453,231	550,000	561,330	83,577	6,500	1,654,638
Patrick Sinks	2012	583,154	200,000	785,420	618,373	8,950	2,195,897
President and Chief	2011	558,508	357,500	1,871,535	414,061	8,950	3,210,554
Operating Officer	2010	516,692	585,200	1,039,500	213,577	6,500	2,361,469
Lawrence Pierzchalski	2012	469,939	175,000	424,127	670,932	8,950	1,748,948
Executive Vice	2011	456,308	302,500	1,010,629	470,613	8,950	2,249,000
President - Risk Management	2010	443,000	501,800	561,330	271,888	6,500	1,784,518
Jeffrey Lane	2012	729,962	200,000	424,127	449,723	8,950	1,812,762
Executive Vice President	2011	710,385	357,500	1,010,629	415,914	8,950	2,503,378
and General Counsel	2010	653,846	550,000	1,402,330	311,723	19,770	2,937,669

(1) The amounts shown in this column represent the grant date fair value of the stock awards granted to named executive officers in the years shown, computed in accordance with FASB ASC Topic 718. The fair value of stock award units is based on the closing price of our common stock on the New York Stock Exchange on the date of grant. Except as described below, the vesting of all of the awards represented in this column is subject to our meeting certain performance conditions. In accordance with the rules of the SEC, all of the figures in this column represent the value at the grant date based upon the probable outcome of the applicable performance conditions as of the grant date, such probable outcome determined with reference to the performance of the fiscal year preceding the grant. The probable outcome of the applicable performance conditions associated with the 2010 awards resulted in the full value of such awards being reflected in this column. If the full value of the applicable awards for 2012 and 2011 were shown assuming the highest level of the applicable performance conditions was achieved, rather than an amount based upon the probable outcome of the applicable performance conditions, then the amounts shown would have been:

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	2012	2011
Curt Culver	\$ 1,368,675	\$ 3,097,710
J. Michael Lauer	\$ 461,929	\$ 1,045,479
Patrick Sinks	\$ 855,424	\$ 1,936,073
Lawrence Pierzchalski	\$ 461,929	\$ 1,045,479
Jeffrey Lane	\$ 461,929	\$ 1,045,479

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(2) The Company does not maintain a nonqualified deferred compensation plan for its employees. The amounts shown in this column reflect the change in present value of accumulated pension benefits during such year pursuant to our Pension Plan and our Supplemental Executive Retirement Plan when retirement benefits are also provided under that Plan. See information following the table titled “Pension Benefits at 2012 Fiscal Year-End” below for a summary of these plans. The change shown in this column is the difference between (a) the present value of the annual pension payments that the named executive officer would be entitled to receive beginning at age 62 and continuing for his life expectancy determined at the end of the year shown and by assuming that the officer’s employment with us ended on the last day of that year shown and (b) the same calculation done as if the officer’s employment had ended one year earlier. For all years shown, the change between years represents the net result of (a) the officer being one year closer to the receipt of the pension payments, which means the present value is higher, and the annual pension payment is higher due to the additional benefit earned because of one more year of employment; (b) a change in actuarial assumptions used to calculate the benefit, primarily a decrease in the discount rate used to calculate the present value at the end of each of those years, which made the increases higher than they would have been if we had not changed the discount rate; and (c) distributions that the named executive officers received from our Supplemental Executive Retirement Plan during the fiscal year ended December 31, 2012 to pay the employee portion of the Social Security tax attributable to benefits earned under the plan during fiscal year 2012, as well as amounts distributed to cover the income tax thereon. For each named executive officer, the change for 2012, 2011 and 2010 consists of:

Name	2012		2011		2010	
	Change in Actuarial Assumptions	Change Due to Other Factors	Change in Actuarial Assumptions	Change Due to Other Factors	Change in Actuarial Assumptions	Change Due to Other Factors
Curt Culver	\$ 702,165	\$ 662,942	\$ 310,398	\$ 657,030	\$ 141,243	\$ 404,402
J. Michael Lauer	226,765	87,901	106,335	128,903	52,343	31,234
Patrick Sinks	353,499	264,874	144,013	270,048	61,530	152,047
Lawrence Pierzchalski	357,260	313,672	156,596	314,017	71,724	200,164
Jeffrey Lane	261,831	187,892	114,036	301,878	51,911	259,812

See Note 13 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ending December 31, 2012 for additional information regarding the assumptions made in arriving at these amounts.

Annual Bonus

The following is a description of our annual bonus program. This discussion supplements the discussion included in the section titled “Compensation Discussion and Analysis” above.

Our bonus program provides that annual bonuses, so long as we met a performance target described in “Compensation Discussion and Analysis — Our 2012 Executive Compensation — Annual Bonus” above, are determined in the discretion of the Management Development, Nominating and Governance Committee taking account of:

- our actual financial and other results for the year compared to the goals considered and approved by the Management Development, Nominating and Governance Committee in the first quarter of that year (see “Compensation Discussion and Analysis — Our 2012 Executive Compensation — Annual Bonus” above for our 2012 performance goals);
- the Committee’s subjective analysis of the business environment in which we operated during the year;
- the Committee’s subjective evaluation of individual officer performance;

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- the subjective recommendations of the CEO (except in regard to his own bonus); and
- such other matters as the Committee deems relevant.

The maximum bonuses under this bonus framework cannot exceed three times the base salary of the CEO and 2.25 times the base salaries of our other named executive officers.

2012 Grants Of Plan-Based Awards

The following table shows the grants of plan-based awards to our named executive officers in 2012.

Name	Type of Award	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards		Grant Date Fair Value of Stock and Option Awards (\$)(1)
			Target (#)	Maximum (#)	
Curt Culver	Other(2)	1/30/12	63,000	63,000	248,850
	Performance Based(3)	1/30/12	255,144	283,500	1,007,820
J. Michael Lauer	Other(2)	1/30/12	21,262	21,262	83,985
	Performance Based(3)	1/30/12	86,112	95,682	340,142
Patrick Sinks	Other(2)	1/30/12	39,375	39,375	155,531
	Performance Based(3)	1/30/12	159,466	177,188	629,889
Lawrence Pierzchalski	Other(2)				